

Finance Committee

Meeting Venue:
Committee Room 2 – Senedd

Meeting date:
17 October 2013

Meeting time:
08:30

Cynulliad
Cenedlaethol
Cymru

National
Assembly for
Wales



For further information please contact:

Gareth Price
Committee Clerk
029 2089 8409
FinanceCommittee@wales.gov.uk

Agenda

1 Introductions, apologies and substitutions (08:30)

2 Papers to note (08:30) (Pages 1 - 6)

Additional information requested from Assembly Commission at meeting of 3 October 2013

3 The Control of Horses (Wales) Bill (8:30 – 9:00)

Alun Davies AM, Minister for Natural Resources and Food
Julia Hill, Legal Services, Rural Affairs and Agriculture Team
Fiona Leadbitter, Policy Officer, Equine Policy Team

4 Scrutiny of the Welsh Government Draft Budget 2014–15 – Evidence from WCVA, Community Links and Care and Repair (09:00–10:00) (Pages 7 - 30)

FIN(4)17-13 Paper 1
FIN(4)17-13 Paper 2
FIN(4)17-13 Paper 3

Gareth Coles, WCVA
Chris Jones, Care and Repair
David Robinson, Community Links

5 Scrutiny of the Welsh Government Draft Budget 2014–15 – Evidence from WLGAs and Bridgend CBC (10:00–11:00) (Pages 31 - 47)

FIN(4)17-13 Paper 4

Councillor Anthony Hunt, Finance Cabinet Member, Torfaen County Council and
WLGA Deputy Spokesperson on Finance
Ness Young, Finance Director, Bridgend County Borough Council
Jon Rae, Director of Resources, Welsh Local Government Association

**6 Scrutiny of the Welsh Government Draft Budget 2014-15 –
Evidence from Local Health Boards (11:00-12:00)** (Pages 48 - 54)

FIN(4)17-13 Paper 5

FIN(4)17-13 Paper 6

Geoff Lang, Executive Director of Primary Care, Community and Mental Health
Services, Betsi Cadwaladr University Health Board
Adam Cairns, Chief Executive, Cardiff and Vale University Health Board

**7 Motion under Standing Order 17.42 to resolve to exclude the
public from the meeting for the following business: (12:00)**

Item 8.

**8 Scrutiny of the Welsh Government Draft Budget 2014-15:
Consideration of Evidence Received (12:00-12:30)**



Angela Burns AC/AM

**Comisiynydd y Cynulliad
Assembly Commissioner**

Jocelyn Davies AM
Chair of the Finance Committee
National Assembly of Wales
Tŷ Hywel
Cardiff Bay
Cardiff
CF99 1NA

9 October 2013

Dear Jocelyn

I would like to thank you and the members of the Finance Committee for your time last week in scrutinising the Commission's Draft 2014-15 Budget and the constructive observations made.

If you recall I agreed to provide some additional information on ICT costs, our Graduate Scheme and school education visits.

I have provided the information requested in the attached documents. You will also wish to note that we have received the Government's formal confirmation that we can restrict the indicative funding for future year to 2015-16.

If you need any further information, or have any questions, please do not hesitate to ask.

Yours sincerely

**Angela Burns
Comisiynydd y Cynulliad
Assembly Commissioner**

Bae Caerdydd
Caerdydd
CF99 1NA

Cardiff Bay
Cardiff
CF99 1NA

Ffôn • Tel: 029 2089 8598
Ffacs • Fax: 029 2089 8117

Ebost • Email: Carys.Evans@wales.gov.uk

Ysgrifenyddiaeth Comisiwn y Cynulliad/Assembly Commission Secretariat

ICT Costs – Details for Finance Committee

ICT Costs			
Description		Actuals 2012-13	Projected 2015-16
Commission Staff Costs		563,796	1,441,200
Staff travel & subsistence		4,579	12,000
ICT Contracted-Out Services	*	2,576,434	1,200,000
Licence and maintenance costs	*	387,763	450,000
Additional Licence and maintenance costs			150,000
Broadcasting services		474,704	460,000
Website services		121,599	130,000
ICT revenue and consumable purchases		89,820	130,050
IT Development Projects		211,522	-
ICT Costs (Actual per Audited Accounts)		3,861,842	2,520,050
Savings re-invested			460,000
Total ICT Costs		4,430,217	4,433,250
* ICT contracted out service costs total £3.0m in 2012-13 and are expected to reduce by 44% to £1.6m in 2015-16			

The above table shows the cost of providing ICT services in the year before the transition project started and the projected costs for the year after transition has completed.

The decision to bring ICT services in house is expected to deliver a 10% reduction in the overall costs when comparing on a like for like basis. This amount will be reinvested to further improve services. On a Value for Money basis, we will be delivering more with the same funding.

By the end of 2015-16 the nature of the costs will have changed with increasing staff costs being more than offset by reductions in fixed and variable costs.

In particular, there will be a 44% reduction in fixed contracted out services costs when comparing 2012-13 expenditure with the indicative budget for 2015-16. This change is offset by increases in variable and staff costs specifically with a £0.8m Investment in staff required to provide the ICT services in house.

Graduate Scheme

The Commission's 2012-13 budget document introduced the creation of apprenticeship and graduate placement schemes, improving opportunities at all levels for those who want to work at the Assembly. We have trialled placements for both over the last 18 months.

The Apprenticeship scheme has proved very successful and we will be increasing the number of placements to six next year; we will be advertising shortly for the second tranche. The first tranche of apprentices were paid £12,000 per annum, though this is currently under review as we have been asked to consider increasing the salary to the national Living Wage.

By 2015-16 we are aiming to introduce a Graduates' Development Programme rather than one-off, fixed term placements. Our trial to date has included two graduate positions: we filled one in the ICT team following advert through Welsh Universities and on our website. For the other, in the Assembly Business Directorate, we worked in partnership with the Wales Governance Centre and the St David's Group, advertising the role to students on their Masters in Wales Politics and Governance as part of a pilot. Unfortunately we did not attract a suitable field so have not pursued the trial further.

The graduate role is remunerated at entry level (Team Support) which has a salary of £17,410. In terms of how the salary interacts with student loan repayments, once earnings exceed the threshold of £16,365 a graduate starts repaying their student loan at a rate of 9% per annum. A graduate on the entry level salary would therefore be paying £94.05 per year or £7.82 per month.

The Assembly's Education Service

The Assembly's Education Service meets a range of schools, colleges and youth groups from all parts of Wales, either in Siambr Hywel and the Senedd or out in the regions. The groups include Primary Schools, Secondary Schools, Further Education Colleges 16+, PGCE teacher training students from Universities, Primary school Councils, Secondary School Councils, Local Authority Youth Parliaments, Pupil Referral Units, NEET groups, Special Schools, Travellers Youth Groups.

Monitoring

Every academic year we keep records of where the groups are from i.e. constituency. For a snap shot of the geographical spread of all groups, please refer to Annex 1.

Since May we have been keeping KPI records of all 'new' schools that have visited and have been visited. We have defined 'new' schools as those schools and colleges who have not visited in the last 3 years.

New Booking system

In the past the Education Bookings Calendar opened on the first Monday after Spring half term for the whole of the forthcoming academic year. This operated on a first come first served basis.

This year the Education Bookings Calendar opened on 03 June for the Autumn term – the months of September to December 2013 only. For bookings for the Spring and Summer terms bookings will open after half term on Monday 04 November. It is still a first come first served service.

Schools are not turned away since we can offer other dates and if those are not suitable we can offer a Senedd only visit or an outreach presentation.

Statistics 2012-13

During the academic year 2012-13 the education service delivered presentations and workshops to a total of 557 groups (616 in 2011-12), 415 schools and colleges reaching an audience of 16,158 pupils (17,698 in 2011-12). This figure also includes youth groups outside formal education.

A total number of 49 groups visited from North Wales. This amounts to 18% of all visits to Siambr Hywel. The table below shows the breakdown via constituency of schools who received educational visits at the Assembly.

Table 1

Constituency	Number of Visits
Anglesey	7
Arfon	10
Aberconwy	3
Clwyd West	4
Vale of Clwyd	1
Clwyd South	9
Delyn	3
Dwyfor Meirionydd*	5
Alyn and Deeside	1
Wrexham	6

*Dwyfor Meirionydd constituency is outside the North Wales region but is included in the work of the North Wales education officer.

During the academic year 2012-13 we delivered presentations to 125 groups in the North Wales area (3,000+ pupils) and in Mid Wales 108 groups (2,415 pupils). The table below shows the breakdown via constituency of schools who received educational presentations at their school or college across the North Wales region.

Table 2

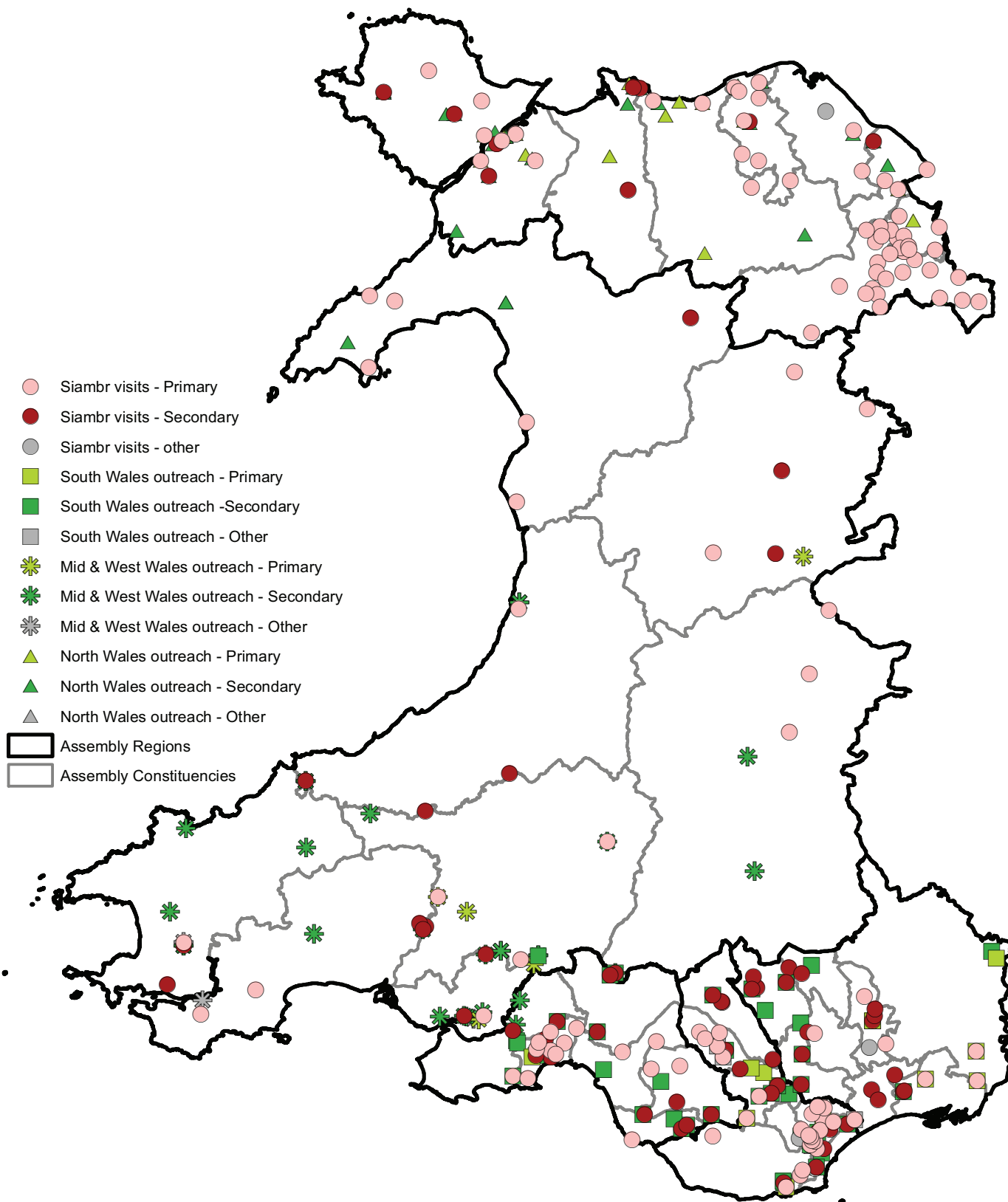
Constituency	Number of Visits
Anglesey	33
Arfon	20
Aberconwy	14
Clwyd West	22
Vale of Clwyd	2
Clwyd South	5
Delyn	4
Dwyfor Meirionydd*	4
Alyn and Deeside	9
Wrexham	12

*Dwyfor Meirionydd constituency is outside the North Wales region but is included in the work of the North Wales education officer.

All Siambr Hywel and outreach visits – September 2011 to July 2012

Total visits = 616

Due to the scale of the map one symbol may represent more than one visit.



Research Service

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[National Assembly for Wales](#)
[Finance Committee](#)
FIN(4)-WG15-05a

[Inquiry into Welsh Government Draft](#)
[Budget Proposals 2014-2015](#)
Evidence from Wales Council for Voluntary Action



Welsh Government draft budget proposals for 2014/15

Submission to Finance Committee

September 2013

Introduction

1. Wales Council for Voluntary Action represents, campaigns for, supports and develops voluntary organisations, community action and volunteering in Wales. It represents the sector at UK and national level; and together with a range of national specialist agencies, County Voluntary Councils, Volunteer Centres and other development agencies, it provides a support structure for the third sector in Wales. It has 3,000 members, and is in touch with many more organisations through a wide range of national and local networks.
2. We welcome the opportunity to submit information to the Finance Committee, in particular regarding the Welsh Government's approach to preventative spending. In 2012 WCVA launched the Wales Wellbeing Bond, which provides up-front investment in partnerships between the public and third sectors that can create savings through preventative programmes. Through access to social finance, we believe that there are considerable opportunities for the third sector to work with the public sector in Wales, to reorganise services and reduce demand on pressurised publicly-funded services.

Question 4 - What are your views on the Welsh Government's approach to preventative spending and how is this represented in your resource allocation?

3. It is broadly agreed that existing approaches to the funding of public services are unsustainable in the longer term, as public finances shrink and individuals' needs change. Unless changes are made, it is likely that future public services will only be able to concentrate on ever more acute problems, leading to higher eligibility criteria to access statutory support.
4. There is therefore a clear need to focus on earlier interventions and preventative measures that reduce levels of incidence and need, and are more cost effective. An investment in sport and physical recreation and the inculcation of healthier lifestyles, for example, would lessen pressure on curative treatment for obesity-related diseases such as type 2 diabetes.
5. But to change focus is difficult: determining the viability of early intervention service models requires careful research and analysis; public authorities cannot abruptly disinvest where they are committed to existing forms of service provision; and they lack the necessary finance to invest in new and transformative approaches.

6. We believe that there is an important confluence of factors now that provide opportunities to address these problems:
7. First, the urgency of the issue means that there is a clear need to rethink approaches to many public service areas. The scale of the problem is such that making efficiency savings alone will not be sufficient to maintain services at current levels.
8. Secondly, the third sector has developed significant expertise in providing a broad range of additional, non-statutory support that directly reduces the burden on public sector services. It is therefore ideally placed to identify, test and deliver effective interventions that reduce or prevent the take up of more intensive services where problems are acute.
9. Examples of such approaches to preventative services include out-of-hours home from hospital transport for discharged patients, providing risk assessments in the home thereby preventing readmission to hospital; befriending services that enable people to remain living independently in their own homes; Care and Repair Cymru providing rapid adaptations, avoiding the costs of residential care and more expensive support; making the homes of victims of domestic or sexual violence more secure so that they can remain in their home rather than move out to a refuge or priority housing; mentoring and support schemes working with young people at risk of offending.
10. Thirdly, the third sector in Wales now has access to considerable finance options that enable investment in services that deliver social outcomes and savings for the public purse.
11. There are a number of initiatives already underway in Wales that seek to focus on preventative measures through accessing new forms of finance.
12. Social impact bonds are a mechanism for providing up-front investment in preventative measures that can create future savings by reducing demand on pressurised publicly-funded services. From the savings made, original investments can be repaid and sustainable preventative actions can continue to be funded.
13. At the end of last year, WCVA launched the Wales Wellbeing Bond - a form of social impact bond - which provides up-front investment in partnerships between the public and third sectors that can create savings through preventative programmes. It provides an opportunity in Wales to innovate in how the third sector delivers with the public sector, and how that delivery is funded.
14. The Wales Wellbeing Bond differs from the standard Social Impact Bond model through placing co-production principles and third sector delivery at its core, and because it involves no private investment any savings generated will be recycled into further social investment.
15. Cwm Taf Local Health Board are currently exploring using the Wales Wellbeing Bond to deliver early intervention mental health initiatives that improve patients' wellbeing and make savings in prescription costs for anti-depressants.
16. Since its launch, the Bond has attracted considerable interest from across the public sector and third sector. In WCVA's conversations with potential partners about the

Bond, a number of common questions and concerns have emerged about taking on financial risk; allocation across different budget heading; and the timescales needed before savings are realised.

17. We recognise that there are a number of barriers to taking this work forward, but we believe that these barriers are surmountable. These models don't necessarily require wholesale transformation. Small changes to existing provision can be made. The financing methodology provides a means of testing whether redeploying existing investment will deliver the desired outcomes and savings. And no loan would be approved - or taken on - without a robust evidence base.
18. It is worth restating that a loan can be beneficial, in contrast to other funding mechanisms, as it gives the delivery partners a real stake in achieving successful outcomes. It also supports the sustainability of the spend - each successful delivery generates not only the cash for that organisation to carry on, but also provides an evergreen fund to support new or an expansion of initiatives
19. We believe that through the vehicle of social finance, there are considerable opportunities for the reorganisation of public services through new partnerships between the third sector and public sector, and a shift towards a greater focus on preventative measures that yield financial savings and improved social outcomes.

Enclosed: WCVA Wales Wellbeing Bond leaflet

Gareth Coles
gcoles@wcva.org.uk
WCVA
September 2013



National Assembly for Wales
Finance Committee
FIN(4) -WG15-05b
Inquiry into Welsh
Government Draft Budget
Proposals 2014-2015



Evidence from Wales Council for Voluntary Action

Wales Wellbeing Bond

Transforming public services together



WCVA is the national umbrella body for the third sector in Wales. For over 75 years we have been working with the sector to strengthen communities and change lives.



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WCVA Head Office
 Baltic House, Mount Stuart Square
 Cardiff CF10 5FH
 Tel 0800 2888 329 · Fax 029 2043 1701
 Minicom 0808 1804080
 help@wcva.org.uk

North Wales Office
 Morfa Hall, Bath Street, Rhyl LL18 3EB
 Tel 0800 2888 329 · Fax 01745 357541
 Minicom 0808 1804080
 help@wcva.org.uk

Mid Wales Office
 2 Science Park, Cefn Llan, Aberystwyth
 Ceredigion SY23 3AH
 Tel 0800 2888 329 · Fax 01970 631121
 Minicom 0808 1804080
 help@wcva.org.uk

WCVA Helpdesk
0800 2888 329
www.wcva.org.uk

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Wales Wellbeing Bond

The concept

Preventative community-based programmes reducing demand on publicly funded services

The approach

A new form of partnership between the third sector and public sector

The means

Preventative programmes financed through WCVA's Communities Investment Fund

The result

Improved wellbeing in Wales and reduced demand on public services - creating savings from which initial funding can be repaid and reinvested

Our offer

WCVA's Wales Wellbeing Bond:

- Provides access to £millions to redesign or create new third sector public services at national, regional or local authority level
- Can support programmes involving both capital and revenue finance
- Allows shared and managed risk between all partners
- Works with you to identify invest to save opportunities
- Provides expertise to develop a viable, tailored financial model and business plan
- Creates innovation through cross-sector collaboration
- Offers potential to build in feasibility and evaluation to develop new ideas
- Transforms services to maximise citizen centred approaches in cost effective ways
- Recognised by Welsh Government
- A form of social, not-for-private-profit finance that reinvests in Wales' wellbeing

Pressure on public finances at a time when the need for public services is rising means that we are all looking for ways to make savings, while maintaining quality services for the people of Wales.

The Wales Wellbeing Bond can help reduce the demand for services through greater investment in preventive work.

Third sector organisations are already using their specialisms to deliver many people and community-centred programmes that evidence reduced demand for publicly-funded services, but crucially lack the funding to upscale and increase impact.

Using the Wales Wellbeing Bond together we can transform public services for the better in Wales.



How it works

Public sector bodies (such as Health Boards, Local Authorities, Police etc) can struggle to invest in new models while maintaining existing services, and have often found both the financial and delivery risks too high.

So if such change is to be achieved at a time of budget reductions, it must address issues of finance, commitment and risks.

WCVA can address issues of risk and finance in a transformative way by:

- Offering to invest £millions in new approaches over the next two years
- Ensuring deliverers meet quality and safety standards
- Sharing the risk

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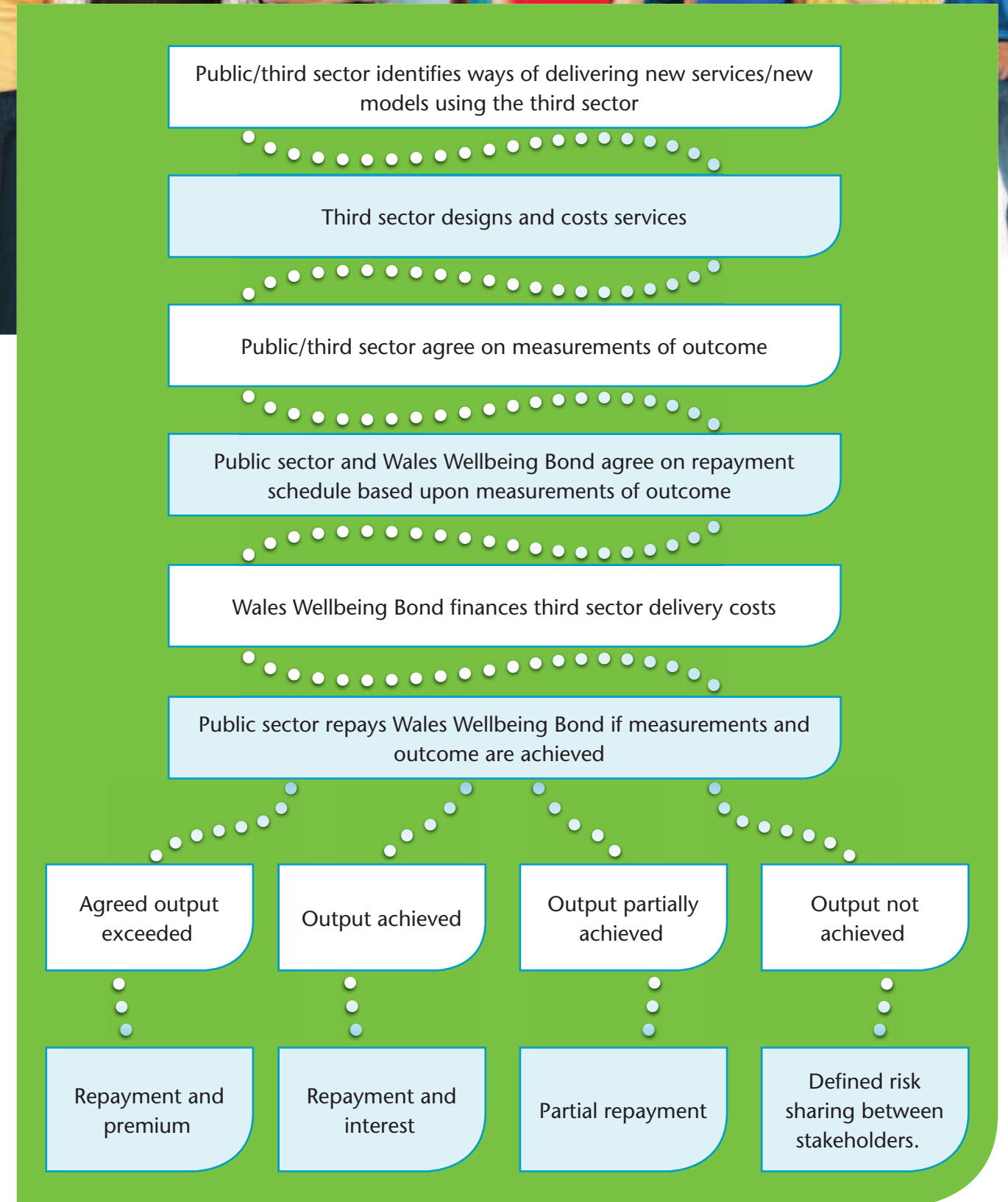
The basic model is simple:

1. Public sector bodies and the third sector identify new services or new ways of delivering which will lead to 'bankable' savings or improved service delivery in the longer term. This model can work equally for a stand-alone third sector organisation or consortia that aim to deliver reconfigured or new services.
2. Third sector organisations (singly or collectively) design and agree a service(s) with the public sector with agreed measurable outcomes, criteria of success, quality and safety standards, initial period (in years) and scale and conditions of return.
3. The financing of the initial period can be provided by the Wales Wellbeing Bond through WCVA's Communities Investment Fund.
4. This finance pays for the third sector organisations to deliver the service.
5. Once the service is established and delivers against the targets agreed at the outset, the public sector body pays back the original amount. It is only at this point that the Local Authority or Health Board, for example, has to pay out (when the service has been proved).

6. The risk of financial loss from the service not working is shared between the stakeholders including the investor.
7. If successful, the repaid money will be recycled into further social investment.

The model overcomes the initial financial barrier inherent in any shift from acute/crisis intervention to community based care, and from statutory to third sector providers.

Work has already been done to develop appropriate delivery mechanisms to enable these business partnerships and which can define outcome and return. It is then essential that all stakeholders (investors, deliverers, public sector) agree on an objective mechanism for assessing the degrees to which outcomes have been achieved and the levels of repayment.



The partners

Public sector

Has a statutory responsibility to provide a huge range of services when people are in need. These services are often expensive and are becoming increasingly unaffordable. There is a need to undertake more preventative work to reduce the number of people requiring reactive services but budgets do not allow for the scale required.

Third sector

Delivers citizen and community centred preventative services that reduce the call on publicly funded reactive services, but lacks the funding to scale up these services to increase the impact because of the budget restraints on public authorities.

People

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Receive a better service that is more tailored to their needs and therefore cuts out costly waste. People and their communities are able to co-produce with their local service providers to improve the service design and delivery.

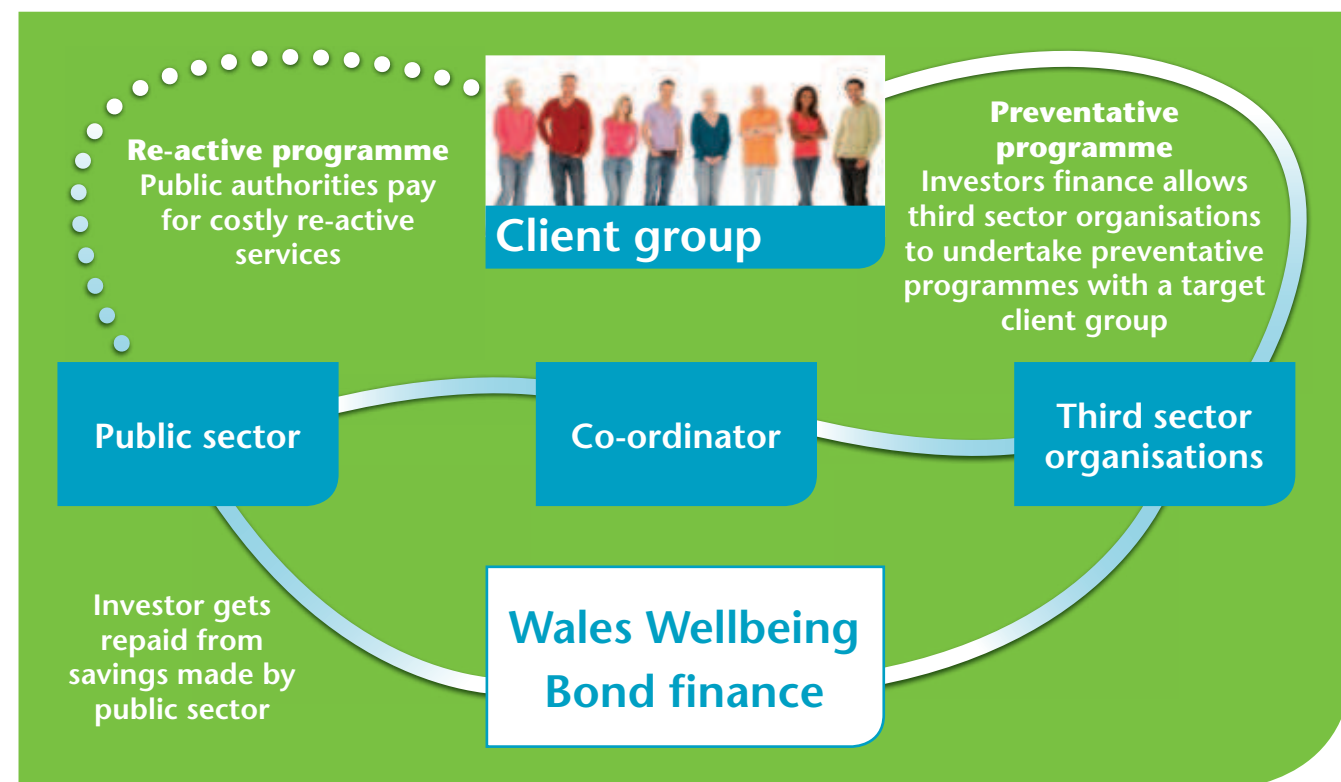
Investor

Currently the Wales Wellbeing Bond can be backed by the Communities Investment Fund which has finance available to invest into programmes where a future financial and social return can be generated.

The Bond

The Wales Wellbeing Bond, with the help of a co-ordinating function, brings together these constituent partners in a mutually beneficial arrangement.

Simply put, the investor places its money into the third sector organisations so they can deliver increased preventative actions to a client group. In time the activity reduces the re-active services that the public sector body provides and reduces their costs. The cost savings made by the public sector mean the investor can be repaid, with interest, from the savings made and continue to invest in preventative programmes to create more savings.



Example · Local Authority family interventions and the third sector

Many families are vulnerable and face a range of barriers in accessing services that are available to improve their wellbeing and life chances. Some local authorities are beginning to realise that to really make an impact and change the lives of these families it is not about providing more services but in making sure those that can benefit most from existing services (stop smoking services, education and training, gym passes, walking clubs, substance misuse support etc) actually do access these services.

A local authority could make huge savings from increasing the wellbeing of just some of its most vulnerable families but cannot risk paying for a service that does not deliver an impact. So the local authority could offer a contract that contains an element of payment by results - perhaps ten to twenty per cent. Social investment could then be brought in to finance the funding gap this creates and would be repaid on successful completion of the contract.

Example · Health Board and the third sector

Expenditure by Health Boards on medication to combat depression is rapidly increasing and some areas in Wales are seeing year-on-year double digit percentage rises in spending in this area.

Third sector organisations have tried and tested methods of engagement and support that can either remove the requirement for prescribing drugs in the first place or reduce the time that a person requires medication.

The Wales Wellbeing Bond could invest into third sector organisations to deliver the services and activities known to have a positive effect on people with mental health problems. By providing these services, and GPs referring their patients to these services, we can begin to stop the rapid increase in prescribing rates and then reduce it, bringing cost savings to the Health Board from reduced expenditure on anti-depressant medication. The Bond loan is repaid out of the cost savings generated.

This method could also be applied to other areas of wellbeing where Health Boards are faced with exponential demand, such as dementia and diabetes.

Delivery models

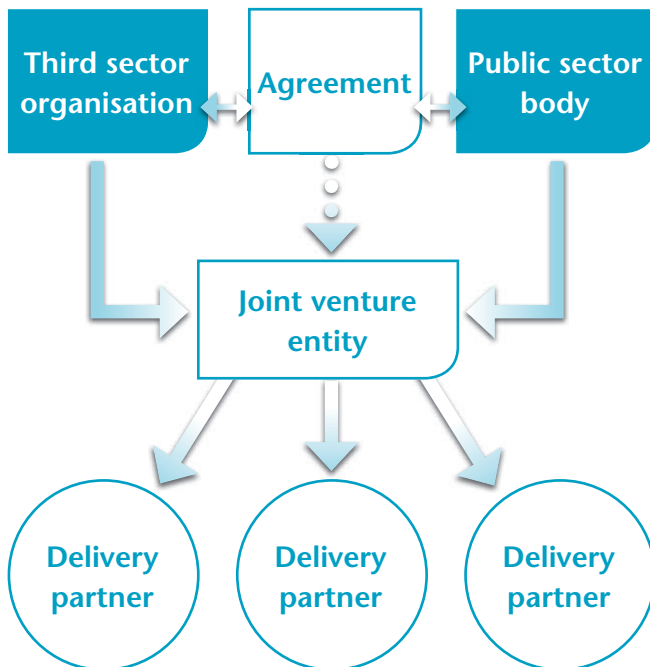
Each Bond will be tailored but here are some examples of the models that can create robust business partnerships.

Special Purpose Vehicle

To develop a collaborative approach to preventative services between the public and third sectors, creating a special purpose vehicle (SPV) is one way of organising formal arrangements between partners.

The SPV would be a new legal entity and provide the vehicle for investment. As a joint venture, it would have the benefits of being jointly owned and governed by the key partners and would ring-fence any risk in a limited liability structure. The SPV would also provide a distinct identity and useful separation for the project.

The Wales Wellbeing Bond can provide the finance for the project through the SPV, which would in turn be responsible for project and service delivery.



Consortium

Developing a consortium is another way the Wales Wellbeing Bond can be taken forward.

There are a number of benefits that this form of collaboration can bring such as: developing improved and more integrated services, and building on complementary areas of expertise.

Forming a consortium and utilising the Wales Wellbeing Bond enables the necessary finance to develop the consortium, a scale of service and a demonstrably robust balance sheet to meet purchasers' requirements.

Third sector 'standalone'

Alternatively, third sector organisations may want to use the Wales Wellbeing Bond to finance different approaches to their own existing activities. Such an approach would support decisions about disinvesting in certain services or projects, and reinvesting in improved and more cost-effective activities.

Payment by results

The Wales Wellbeing Bond can be used to provide up-front finance for elements of public service contracts funded on a 'payment by results' basis. For example, if a third sector organisation secures a contract where a percentage of the funding is reserved until certain outputs are achieved, the Wales Wellbeing Bond can provide bridging finance to support the delivery of those outputs.

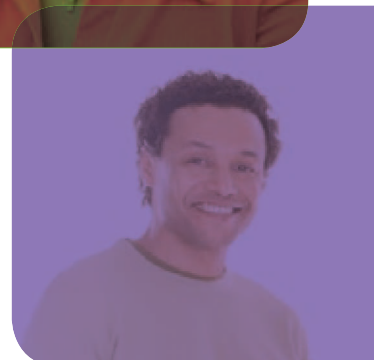
Interested and want to find out more?

We are keen to work with you and assist with your services. If you want a general discussion about the Wales Wellbeing Bond approach, or if you have a specific idea in mind that you want to take forward, please contact us through the WCVA Helpdesk on **0800 2888 329** or email **cif@wcva.org.uk**.

We would be delighted to come and talk about your needs and how the Wales Wellbeing Bond can help deliver services for you and your communities.

Bond Lles Cymru

Gweddnewid gwasanaethau cyhoeddus gyda'n gilydd



WCVA yw'r mudiad ymbarél cenedlaethol ar gyfer y trydydd sector yng Nghymru. Am dros 75 o flynyddoedd rydym wedi bod yn gweithio gyda'r sector i gryfhau cymunedau a newid bywydau.



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WCVA Prif Swyddfa
Tŷ Baltig, Sgwâr Mount Stuart
Caerdydd CF10 5FH

Ffôn 0800 2888 329 · Ffacs 029 2043 1701
Minicom 0808 1804080
help@wcva.org.uk

Swyddfa Gogledd Cymru
Neuadd Morfa, Stryd y Baddon
Y Rhyl LL18 3EB

Ffôn 0800 2888 329 · Ffacs 01745 357541
Minicom 0808 1804080
help@wcva.org.uk

Swyddfa'r Canolbarth
2 Parc Gwyddoniaeth, Cefn Llan, Aberystwyth
Ceredigion SY23 3AH

Ffôn 0800 2888 329 · Ffacs 01970 631121
Minicom 0808 1804080
help@wcva.org.uk

Lein Gymorth WCVA
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Bond Lles Cymru

Y cysyniad

Rhaglenni ataliol yn y gymuned a fydd yn lleihau'r galw ar wasanaethau a ariennir yn gyhoeddus

Y meddylfryd

Math newydd o bartneriaeth rhwng y trydydd sector a'r sector cyhoeddus

Y modd

Rhaglenni ataliol wedi'u hariannu drwy Gronfa Fuddsoddi Cymunedol WCVA

Y canlyniad

Lles gwell yng Nghymru a llai o alw ar wasanaethau cyhoeddus – gan greu arbedion y gellir eu defnyddio i ad-dalu ac ail-fuddsoddi'r cyllid gwreiddiol

Ein cynnig

Bond Lles Cymru gan WCVA:

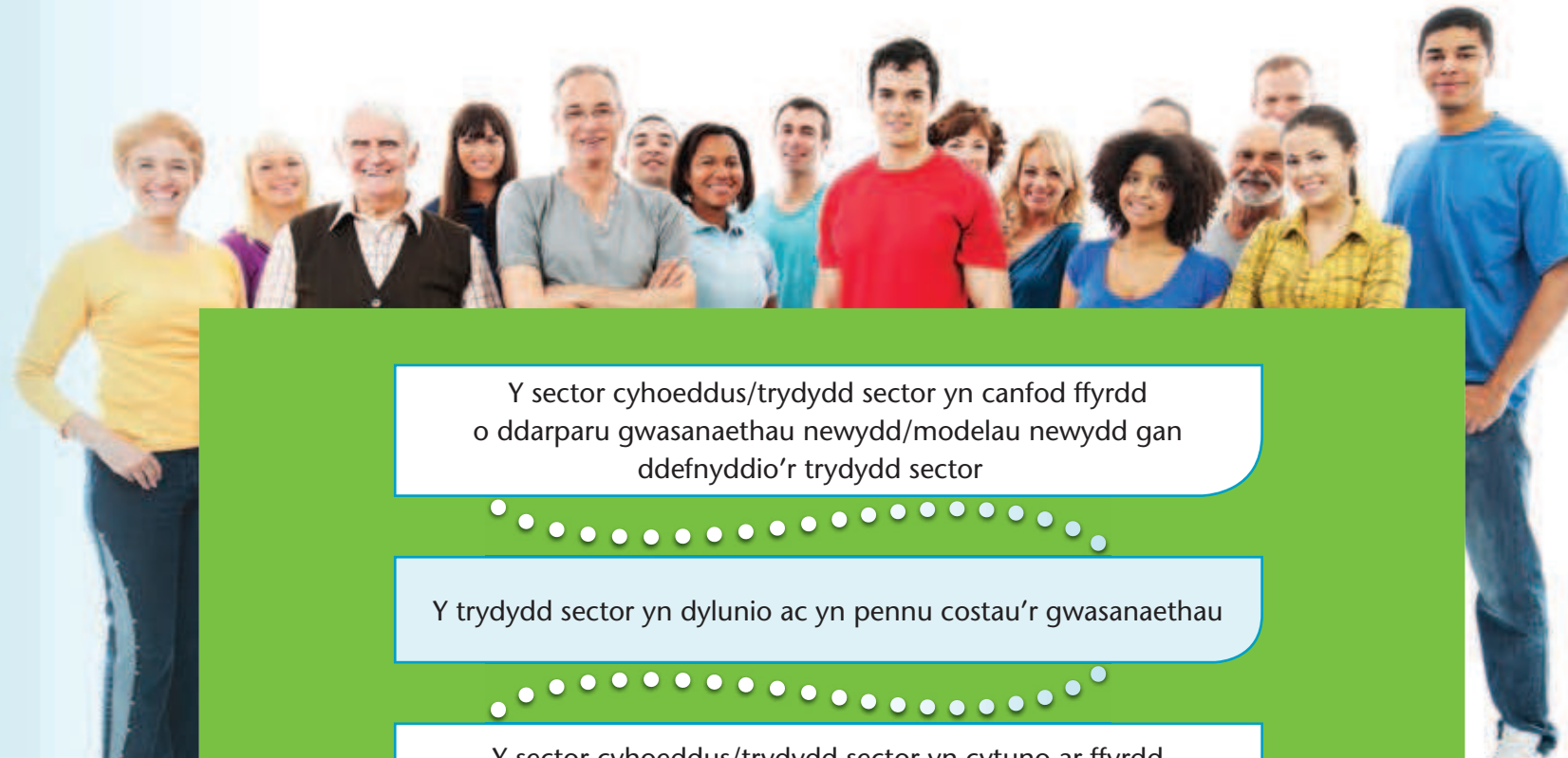
- Darparu mynediad at £miliwn i ail-ddylunio neu greu gwasanaethau cyhoeddus trydydd sector newydd ar lefel genedlaethol, lefel ranbarthol neu lefel awdurdod lleol
- Gallu cefnogi rhaglenni sy'n cynnwys cyllid capital a refeniw
- Caniatáu i risg gael ei rannu a'i reoli ymysg pob partner
- Gweithio gyda chi i ganfod cyfleoedd buddsoddi i arbed
- Darparu arbenigedd i ddatblygu model ariannol a chynllun busnes hyfyw wedi'u teilwra
- Creu arloesedd drwy gydweithredu rhwng sectorau
- Cynnig potensial i gynnwys dichonoldeb a gwerthuso er mwyn datblygu syniadau newydd
- Gweddnewid gwasanaethau i wneud y gorau o ffyrdd cost-ffeithiol o weithio sy'n canolbwyntio ar y dinesydd
- Wedi'i gydnabod gan Lywodraeth Cymru
- Math o gyllid cymdeithasol, nid-er-elw-preifat sy'n ail-fuddsoddi yn Lles Cymru

Mae pwysau ar arian cyhoeddus ar adeg pan fo'r angen am wasanaethau cyhoeddus ar gynnydd yn golygu ein bod i gyd yn chwilio am ffyrdd o arbed, wrth geisio cynnal safon gwasanaethau i bobl Cymru yr un pryd.

Gall Bond Lles Cymru helpu i leihau'r galw am wasanaethau drwy fuddsoddi'n fwy mewn gwaith ataliol.

Mae mudiadau'r trydydd sector eisoes yn defnyddio eu harbenigedd i ddarparu llawer o raglenni sy'n canolbwyntio ar bobl a chymunedau sy'n dangos llai o alw am wasanaethau a ariennir yn gyhoeddus, ond nid oes ganddynt yr arian hanfodol i uwchraddio a chynyddu eu heffaith.

Gan ddefnyddio Bond Lles Cymru gyda'n gilydd gallwn weddnewid gwasanaethau cyhoeddus er gwell yng Nghymru.



Sut mae'n gweithio

Gall cyrff y sector cyhoeddus (megis Byrddau Iechyd, Awdurdodau Lleol, yr Heddlu, ac yn y blaen) ei chael yn anodd buddsoddi mewn modelau newydd wrth gynnal gwasanaethau cyfredol, ac yn aml mae'r risg ariannol a'r risg ynghlwm â'u cyflawni yn ormod iddynt.

Felly, er mwyn ysgogi newid o'r fath pan fo cyllidebau'n cael eu torri, rhaid mynd i'r afael â materion yn ymwneud ag arian, ymroddiad a risg.

Gall WCVA fynd i'r afael â materion yn ymwneud ag arian a risg mewn ffordd weddnewidiol drwy'r canlynol:

- Cynnig buddsoddi £miliwn mewn dulliau gweithredu newydd dros y ddwy flynedd nesaf
- Sicrhau bod y rheini sy'n cyflawni'r gorchwyl yn bodloni safonau ansawdd a diogelwch
- Rhannu'r risg

Mae'r model sylfaenol yn syml:

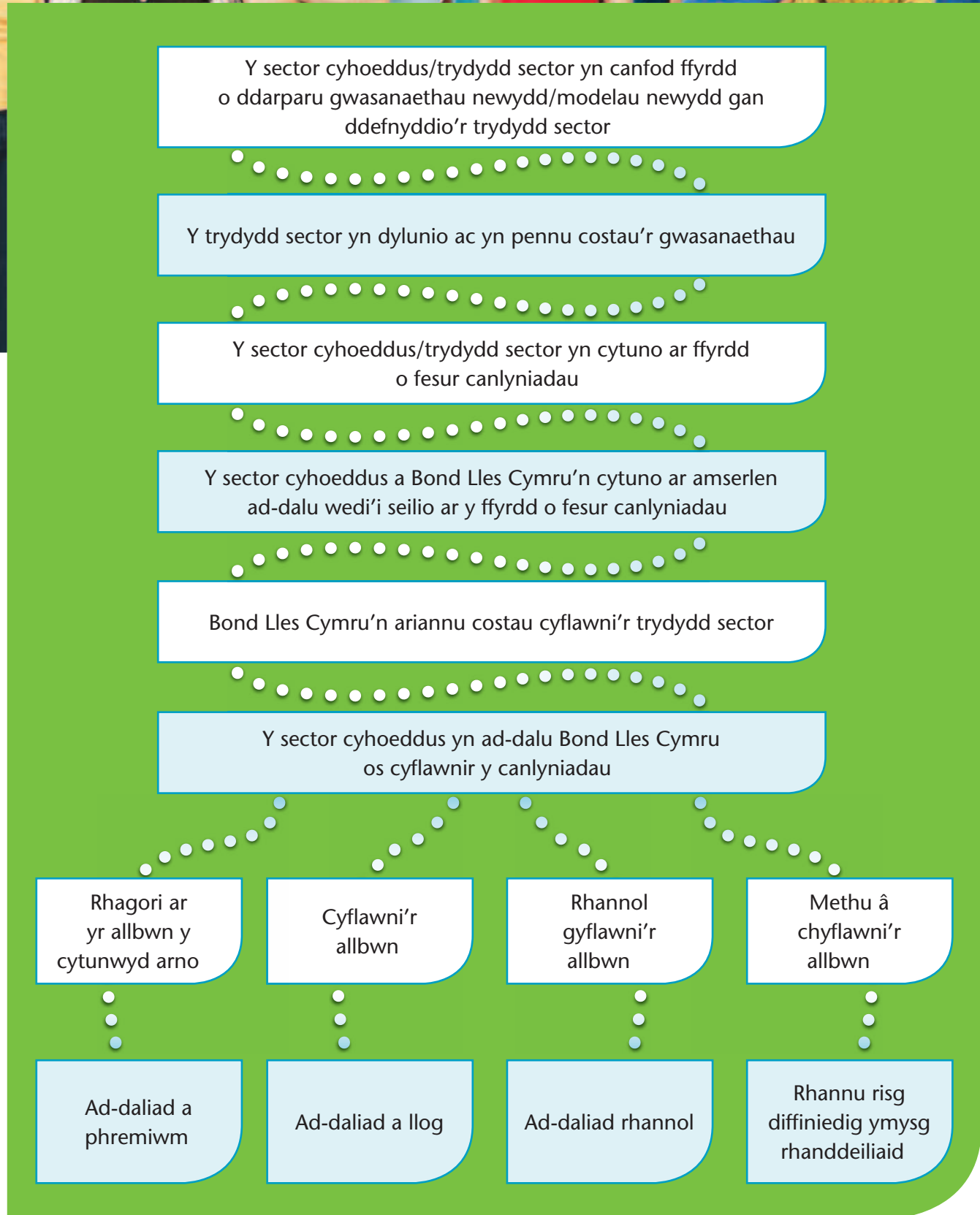
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1. Cyrff sector cyhoeddus a'r trydydd sector yn canfod gwasanaethau newydd neu ffyrdd newydd o gyflenwi a fydd yn arwain at arbedion y gellir eu bancio, neu well ddarpariaeth o wasanaethau yn yr hirdymor. Gall y model hwn weithio gystal ar gyfer mudiad annibynnol yn y trydydd sector neu gonsortia sy'n anelu at ddarparu gwasanaethau wedi'u had-drefnu neu wasanaethau newydd.
2. Mudiadau'r trydydd sector (ar ben eu hunain neu gyda'i gilydd) yn dylunio gwasanaeth(au) ac yn cytuno ar wasanaeth(au) gyda'r sector cyhoeddus gyda chanlyniadau mesuradwy, meini prawf llwyddiant, safonau ansawdd a diogelwch, cyfnod cychwynnol (mewn blynyddoedd), a graddfa ac amodau o ran enillion.
3. Gall Bond Lles Cymru ddarparu'r cyllid ar gyfer y cyfnod cychwynnol drwy'r Gronfa Fuddsoddi Cymunedol gan WCVA.
4. Mae'r cyllid hwn yn talu i fudiadau'r trydydd sector ddarparu'r gwasanaeth.
5. Unwaith mae'r gwasanaeth wedi'i sefydlu ac yn cyrraedd y targedau y cytunwyd arnynt ar y dechrau, mae'r corff sector cyhoeddus yn ad-dalu'r swm gwreiddiol. Bryd hynny'n unig y mae'n rhaid i'r Awdurdod Lleol neu'r Bwrdd Iechyd, er enghraifft, dalu (pan fo'r gwasanaeth wedi profi ei hun yn deilwng).

6. Mae'r risg o golled ariannol, os nad yw'r gwasanaeth yn gweithio, yn cael ei rannu rhwng y rhanddeiliaid gan gynnwys y buddsoddwr.
7. Os ceir llwyddiant, fe fydd yr arian a ad-delir yn cael ei ailgylchu fel buddsoddiad cymdeithasol pellach.

Mae'r model yn goresgyn y rhwystr ariannol cychwynnol sydd ynghlwm ag unrhyw newid o ymyrraeth aciwt/argyfyngus i ofal yn y gymuned, ac o ddarparwyr statudol i ddarparwyr trydydd sector.

Mae gwaith wedi'i wneud eisoes i ddatblygu mecanweithiau darparu priodol i hwyluso'r partneriaethau busnes hyn, a mecanweithiau a all ddiffinio canlyniadau ac enillion. Mae'n hanfodol wedyn i'r holl rhanddeiliaid (buddsoddwyr, darparwyr, y sector cyhoeddus) gytuno ar fecanwaith amcanion er mwyn asesu i ba raddau y mae'r canlyniadau wedi'u cyflawni a lefelau'r ad-dalu.



Y partneriaid

Y sector cyhoeddus

Mae gan y sector cyhoeddus gyfrifoldeb statudol i ddarparu ystod enfawr o wasanaethau pan fo pobl mewn angen. Mae'r gwasanaethau hyn yn ddrud yn aml ac yn gynyddol nid yw pobl yn gallu eu fforddio. Mae angen ymgymryd â mwy o waith ataliol i ostwng nifer y bobl sydd angen gwasanaethau adweithiol ond nid yw cyllidebau yn galluogi'r raddfa angenrheidiol.

Y trydydd sector

Mae'r trydydd sector yn darparu gwasanaethau ataliol sy'n canolbwyntio ar y dinesydd a'r gymuned ac yn lleihau'r galw ar wasanaethau adweithiol a ariennir yn ariannol, ond nid oes gan y sector yr arian i uwchraddio'r gwasanaethau hyn i gynyddu'r effaith oherwydd y cyfyngiadau ar gyllidebau awdurdodau cyhoeddus.

Y buddsoddwr

Ar hyn o bryd, gall Bond Lles Cymru ei gefnogi gan Gronfa Fuddsoddi Cymunedol sydd ag arian ar gael i'w fuddsoddi mewn rhaglenni lle gellir cynhyrchu enillion ariannol a chymdeithasol at y dyfodol.

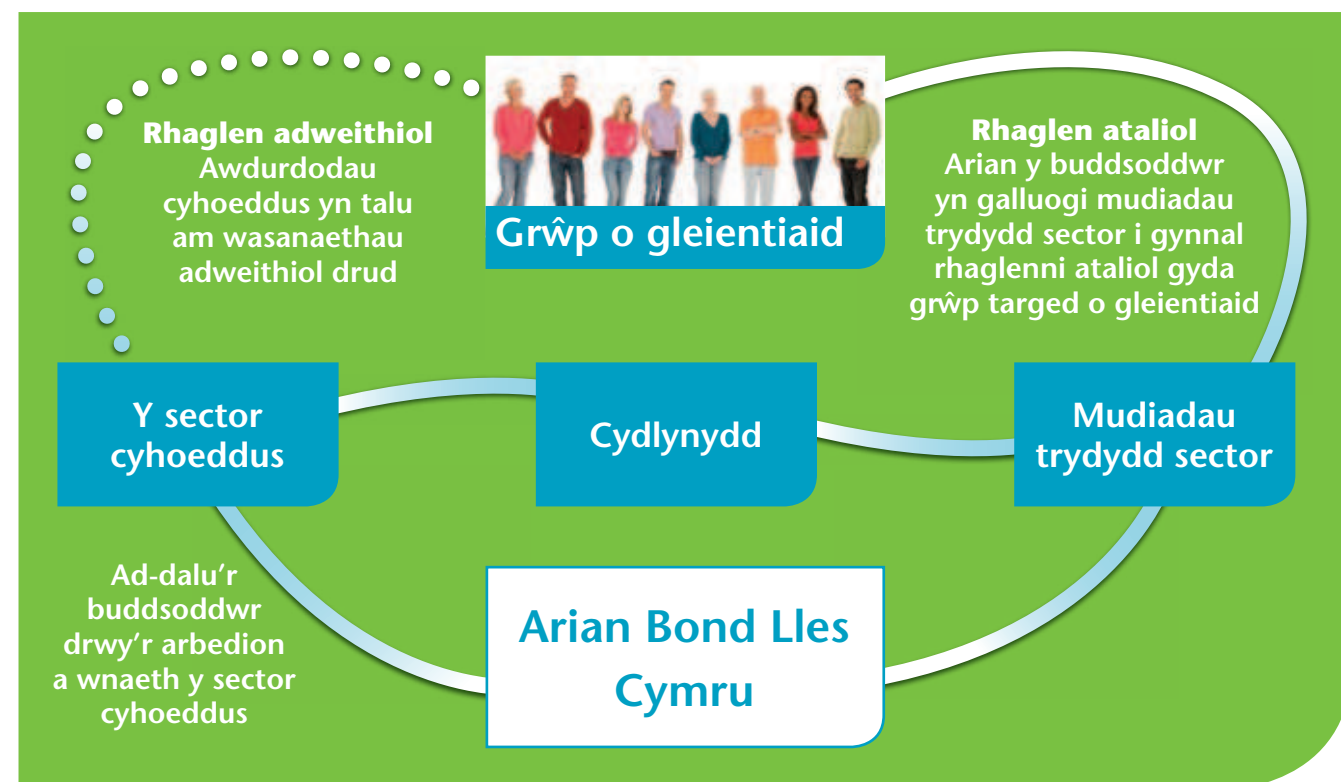
Y Bond

Mae Bond Lles Cymru, gyda chymorth swyddogaeth gydlynnydd, yn dod â'r partneriaid cyfansoddol hyn at ei gilydd mewn trefniant sydd o fudd i bawb.

Mewn geiriau syml, mae'r buddsoddwr yn rhoi ei arian i'r mudiad trydydd sector fel y gall hwnnw gynnal mwy o weithredoedd ataliol i grŵp o gleientiaid. Maes o law, fe fydd y gweithgaredd yn lleihau'r gwasanaethau adweithiol a ddarparai'r corff sector cyhoeddus ac yn lleihau costau'r corff. Mae'r arbedion o ran cost a wneir gan y sector cyhoeddus yn golygu y gellir ad-dalu'r buddsoddwr, gyda llog, a dal ati i fuddsoddi mewn rhaglenni ataliol er mwyn creu mwy o arbedion.

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Pobl

Pobl yn cael gwell wasanaeth sydd wedi'i deilwra'n fwy i'w hanghenion ac felly'n cael gwared â gwastraff drudfawr. Mae pobl a'u cymunedau yn gallu cyd-gynhyrchu gyda darparwyr eu gwasanaethau lleol i wella dyluniad a darpariaeth y gwasanaethau.



Enghraifft · ymyriadau teuluol Awdurdodau Lleol a'r trydydd sector

Mae llawer o deuluoedd yn fregus ac yn wynebu amrywiaeth o rwystrau wrth geisio cael mynediad at wasanaethau sydd ar gael i wella eu lles a'u cyfleoedd mewn bywyd. Mae rhai awdurdodau lleol yn dechrau sylweddoli, er mwyn cael effaith wirioneddol a newid bywydau'r teuluoedd hyn, nad yw'n fater o ddarparu mwy o wasanaethau ond sicrhau bod y rheini a all gael y budd mwyaf oddi wrth y gwasanaethau sy'n bod yn barod (gwasanaethau rhoi'r gorau i ysmegu, addysg a hyfforddiant, tocynnau rhad i'r gampfa, clybiau cerdded, cymorth camddefnyddio sylweddau, ac yn y blaen) yn gallu cael mynediad at y gwasanaethau hynny.

Gallai awdurdod lleol wneud arbedion enfawr drwy wella lles rhai o'i deuluoedd mwyaf bregus yn unig ond ni all fentro talu am wasanaeth nad yw'n cyflawni effaith. Gallai'r awdurdod lleol felly gynnig contract sy'n cynnwys elfen o dalu yn ôl canlyniadau – rhwng deg ac ugain y cant o bosib. Gellid wedyn dod â buddsoddiad cymdeithasol i mewn i ariannu'r bwlch cyllido y mae hyn yn ei greu a byddai'n cael ei ad-dalu pan fo'r contract wedi'i gyflawni'n llwyddiannus.

Enghraifft · Byrddau Iechyd a'r trydydd sector

Mae gwariant gan Fyrddau Iechyd ar feddyginiaeth i ddelio gydag iselder yn prysur gynyddu ac mae rhai ardaloedd yng Nghymru yn profi cynnydd dau ddegid o ran canran mewn gwariant yn y maes hwn flwyddyn ar ôl blwyddyn.

Mae mudiadau'r trydydd sector wedi rhoi prawf ar ddulliau o ymgysylltu a chefnogi a all naill ai ddileu'r angen i roi presgripsiwn am gyffuriau yn y lle cyntaf neu leihau faint o amser y mae angen y feddyginiaeth ar bobl.

Gallai Bond Lles Cymru fuddsoddi mewn mudiadau'r trydydd sector i ddarparu'r gwasanaethau a'r gweithgareddau a wyddys eu bod yn cael effaith gadarnhaol ar bobl â phroblemau iechyd meddwl. Trwy ddarparu'r gwasanaethau hyn, a chael meddygon teulu i gyfeirio eu cleifion atynt, gallwn ddechrau atal y cynnydd cyflym mewn cyfraddau rhoi presgripsiwn ac yna eu gostwng, gan ddod ag arbedion o ran cost i'r Bwrdd Iechyd drwy lai o wario ar feddyginiaeth gwrth-iselder. Ad-delir benthyciad y Bond drwy'r arbedion mewn costau a gynhyrchir.

Gellid defnyddio'r dull hwn ar gyfer agweddau eraill ar les lle mae Byrddau Iechyd yn wynebu galw cynyddol, megis dementia a diabetes.

Modelau cyflawni

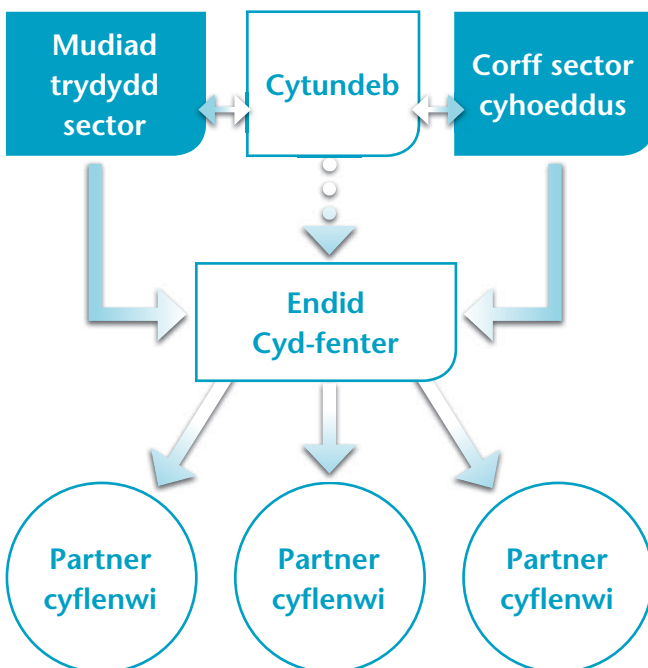
Fe fydd pob Bond yn cael ei deilwra'n arbennig ond dyma rai enghreifftiau o'r modelau a all greu partneriaethau busnes cadarn.

Cyfrwng at Ddibenion Arbennig

Er mwyn datblygu dull cydweithredol o ddarparu gwasanaethau ataliol rhwng y sector cyhoeddus a'r trydydd sector, un ffordd o drefnu trefniadau ffurfiol rhwng partneriaid yw creu cyfrwng at ddibenion arbennig.

Fe fyddai'r cyfrwng hwn yn endid cyfreithiol newydd ac yn darparu cyfrwng y buddsoddi. Fel cyd-fenter, fe fyddai'n elwa o fod dan berchnogaeth y partneriaid allweddol ac o gael ei chyd-lywodraethu ganddynt, ac fe fyddai'n rheoli unrhyw risg mewn strwythur atebolrwydd cyfyngedig. Fe fyddai'r cyfrwng hefyd yn darparu hunaniaeth bendant a gwahaniad defnyddiol ar gyfer y prosiect.

Gall Bond Lles Cymru ddarparu'r arian ar gyfer y prosiect drwy'r cyfrwng at ddibenion arbennig, a fyddai, yn ei dro, yn gyfrifol am gyflawni'r prosiect a'r gwasanaeth.



Consortiwm

Ffordd arall o roi Bond Lles Cymru ar waith yw datblygu consortiwm.

Gall y math hwn o gydweithredu roi llawer o fuddion megis datblygu gwasanaethau gwell a mwy integredig, ac adeiladu ar feysydd arbenigedd sy'n ategu ei gilydd.

Mae ffurfio consortiwm a defnyddio Bond Lles Cymru yn darparu'r cyllid angenrheidiol i ddatblygu'r consortiwm, graddfa'r gwasanaeth a mantolen sy'n amlwg yn gadarn er mwyn diwallu gofynion prynwyr.

Y trydydd sector ar ben ei hun

Fel arall, gallai fod ar fudiadau'r trydydd sector eisiau defnyddio Bond Lles Cymru i ariannu dulliau gwahanol o weithredu eu gweithgareddau cyfredol eu hunain. Fe fyddai dull o'r fath yn cefnogi penderfyniadau ynghylch dadfuddsoddi mewn gwasanaethau neu brosiectau penodol, ac ail-fuddsoddi mewn gweithgareddau gwell a mwy cost-effeithiol.

Talu yn ôl canlyniadau

Gellir defnyddio Bond Lles Cymru i ddarparu cyllid ymlaen llaw ar gyfer elfennau o gontractau gwasanaethau cyhoeddus a ariennir ar sail 'talu yn ôl canlyniadau'. Er enghraifft, os yw mudiad trydydd sector yn ennill contract lle mae canran o'r arian yn cael ei ddal yn ôl tan y mae allbynnau penodol wedi'u cyflawni, gall Bond Lles Cymru ddarparu arian pontio i gynorthwyo gyda chyflawni'r allbynnau hynny.

Â diddordeb ac am gael gwybod mwy?

Rydym yn awyddus i weithio gyda chi a'ch cynorthwyo gyda'ch gwasanaethau. Os ydych yn dymuno trafod cysyniad Bond Lles Cymru yn gyffredinol, neu os oes gennych syniad penodol mewn golwg, cysylltwch â ni drwy Lein Gymorth WCVA ar **0800 2888 329** neu drwy ebostio **cif@wcva.org.uk**.

Fe fyddem wrth ein boddau'n siarad â chi ynghylch eich anghenion a'r ffordd y gall Bond Lles Cymru helpu i ddarparu gwasanaethau i chi a'ch cymunedau.

Submission to the Finance Committee Scrutiny meeting 17/10/13 from the Early Action Task Force

Summary

- The Early Action Task Force is a group of third sector, business and public sector leaders working to build a society that prevents problems from occurring rather than on that, as now, copes with the consequences.

- We applaud the Welsh Government's stated commitment to prevention and sustainability, reiterated in this draft budget, and look forward to the publication of the Future Generations Bill next year.

- We believe there is a distinction in principle between public spending which prevents problems arising – early action spending, which can be thought of as an investment – and public spending which deals with the consequences of problems already arisen.

- Shifting the balance of public spending towards early action away from acute provision would yield a 'triple dividend' of improved social outcomes, reduced cost to the public purse, and increased growth and prosperity.

- We therefore urge the committee to consider:

- how current public spending is distributed along a spectrum from early, preventative investment (for example education) to late, reactive spend (for example prisons).
- The costs and benefits of different areas of social spend to identify those investments which yield the greatest return over the medium and long term, and those liabilities which are costly upfront and do nothing to reduce future spend.

- We suggest that the balance of public spending should shift away from the provision of late, reactive services towards early spend which prevents problems from arising. This should be an explicit goal of public spending policy.

- And we suggest that to incentivise this shift within the policy making process, and as part of adhering to the new duty to be introduced in the Future Generations Bill, future budgets should:

- include assessments of the costs and benefits over ten years of current public spending policy.
- begin to treat early action social spending as an investment in a similar way to capital spending. This process could be incremental as the evidence for early action programmes is developed, but the principle must be embedded now.

Introduction

The Early Action Task Force is a group of third sector, business and public sector leaders working to build a society that prevents problems from occurring rather than on that, as now, copes with the consequences. For more information, the Task Force's full membership and copies of our two reports The Triple Dividend and The Deciding Time, visit www.community-links.org/earlyaction

The draft budget

As we are not experts on public spending in Wales we have not been asked to comment specifically on the draft budget, but we welcome the Welsh Government's reiterated commitment to prevention and sustainable development and its realisation in, for example, the Intermediate Care Fund, the Youth Crime Prevention Fund, and the protection of spending on schools.

Readiness: The purpose of public expenditure

Too often public spending picks up the pieces, acting late to deal with the consequences of problems left too long to develop. Across the four central government departments examined by the National Audit Office in Westminster in their 2013 landscape review of early action only 6% of spending was devoted to early action.

We believe there must be a cultural shift in our conception of the role of public services, away from a mindset which expects public service to step in once problems have arisen – the more expensive option and in all respects the last resort – towards an expectation that public services should act earlier to promote *readiness*.

We picture a society which is defined not just against the countless things that don't happen – heart disease, under achievement at school, violence in the family - but by reference to its strengths. Its people are ready and able to benefit from opportunity, to learn at primary school, to thrive in secondary, to succeed at work, to be good parents and, because we all experience difficulties at some point in our lives, they are ready and able also to manage adversity - to cope with losing a job or a relationship, to rebuild after illness or bereavement, to adapt to change. The goal of public spending should be to support this vision.

We visualise this 'ready for everything' community at the top of a cliff where universal services and clear rules equip us to flourish, protect us from harm, prepare us for change. 'Fences' or prompt interventions at the cliff edge respond early to problems which, if not forestalled, could lead to more serious difficulties. Further down those interventions become more focused on crisis, less likely to be totally successful and very likely to cost more.

Currently much public spending occurs at the bottom of the cliff, struggling to deal with increasing demand and shrinking budgets. It should move inexorably further up the cliff, driven by the principle that acting early, building readiness, is not only better for society but also for future public spending and for growth.

Reimagining public spending as primarily an *investment* in this way would benefit prosperity, sustainability and social justice – the so called Triple Dividend that we proposed in our first report. This is no easy task, because we often lack robust evidence on what counts as early action and on the benefits and savings we can expect from different areas of spending. These practical difficulties are often raised as insurmountable barriers to early action but we suggest that a set of institutional problems with the design of public spending systems have deterred investment in early action in the past; only when these are changed will early action's potential be incrementally realised.

We suggest:

1) A first step would be to define and classify early action spending, possibly applying the definitions adopted by the NAO

- Prevention (upstream): preventing, or minimising the risk, of problems arising – usually through universal policies like health promotion.

- Early intervention (midstream): targeting individuals or groups at high risk or showing early signs of a particular problem to try to stop it occurring.
- Early remedial treatment (downstream): intervening once there is a problem, to stop it getting worse and redress the situation.

The Task Force is in touch with various groups undertaking a similar exercise on areas including adult social care, child poverty and at local authority level.

2) **This would be followed by long term modeling of costs and benefits of acute and early action options** –as the options are considered rather than after the event. It would take time to introduce such a discipline fully, but now is a good time to start as the new budget is adopted and the process begins for thinking about the next one. We recognise some steps that have already been taken in this direction and suggest that the introduction of the Future Generations Bill provides further impetus to this agenda.

3) **Identifying priority areas for early action** in the light of this longer term cost-benefit analysis, on which spending could be protected or increased from 2015 – 2020.

4) **Building ten year spending plans into the budget process**, which would include firm plans in the short run, as now, *and* publication of the implications of every spending decision, whether early action or acute interventions, over the next ten years. The longer term projections would of course be subject to regular review and updating, as circumstances and governments change. However, these projections would enable *current* priorities to be established on the basis of longer term value.

5) **Rolling out a ten year test** for all spending decisions across government, so that the implications over ten years are assessed as far as possible and made transparent - *including where costs or benefits fall to others*.

6) **Start to target an incremental shift in investment** over the next spending period from acute interventions to early action within departmental budgets – what we call **early action Transition Plans**.

7) **Begin treating early action as an investment**, where it forestalls future liabilities and creates growth. We recommend protecting it - in the same way as capital investment – against raids to fund short-term pressures in-year. Steps could be taken for those areas where early action can already be clearly defined, as in public health or on early years education.

8) **To help achieve that shift in spending, incentives should be put in place to encourage departments and others to invest in early action:** These could include profit sharing agreements between departments for the savings accruing from acting earlier, or the creation of a specific early action fund to which departments can jointly bid to pilot early action services. At a local level Wales' Local Service Boards are a positive development, which we look forward to following.

What is likely to be the effect of shifting expenditure towards earlier action?

Effective early action can in theory drastically reduce public spending. A lack of evidence for the effectiveness of particular interventions is often raised as an insurmountable barrier to investment in early action but our response is twofold. Firstly that evidence will only emerge as new approaches are incentivised, rolled out and evaluated, and this can be done in such a way that failing approaches are not allowed to continue for long after it is clear they are not working. Secondly, there is strong evidence of the *ineffectiveness* of much acute spending

(for example on prisons, mental health services or the care system) - interventions need only be slightly less bad than these to be worthwhile, and the bar is set low.

Therefore we believe demand for public spending can be shrunk to some extent by upfront investment in early action. Even greater benefits probably lie after 2020, but some interventions, particularly in expensive and failing delivery areas would yield benefits now. The processes listed above would allow Government to identify, and incentivise, possible new approaches across public services.

Lessons from Scotland

The Scottish Government has made significant investments in early action since the last election, including earmarking public spending worth £500m over 3 years to prevention. Although it is too early to draw conclusions on the impact this has had, it is useful to learn from their experience.

At the start of 2010, as the scale of looming reductions to public budgets was becoming apparent, the Scottish Government commissioned an Independent Budget Review to look at the state of Scottish public finances. When it reported in July 2010 it laid out the scale of the challenge but did not have many suggestions to deal with it beyond a focus on efficiency savings and the need to re-examine the affordability of universal services.

At around the same time the Scottish Government Finance Committee launched an inquiry into preventative spending which took evidence from an impressive range of organisations and, when published in January 2011, concluded that “there will have to be a shift from reacting to crises, to a greater focus on prevention and early intervention.” It said that “given the weight of evidence...it would be counter-productive and short-sighted if budgets were to be cut in areas such as the early years” and that “the scrutiny of preventative spending should be integral to the annual budget process.”

Midway through this inquiry the Government also established the Christie Commission on the Future Delivery of Public Services. When it reported the following summer it argued for a fundamental shift towards prevention as a guiding principle of public service delivery, saying:

“A cycle of deprivation and low aspiration has been allowed to persist because preventative measures have not been prioritised...Tackling these fundamental inequalities and focussing resources on preventative measures must be a key objective of public service reform.”

The review identified a fragmented public delivery system that was insufficiently oriented towards achieving outcomes and designed around departmental silos rather than individuals and communities. It suggested a range of reforms to ensure sustainable public services, centred on people, focused on clear outcomes.

Christie’s publication was met with a series of enthusiastic endorsements from across the sectors, not least from COSLA – (the LGA equivalent in Scotland) – urging Government to adopt its recommendations.

The learning from these three substantial processes culminated the next year when the recently elected majority SNP government announced its priorities for reform in public services drawing heavily on Christie’s recommendations. It proposed four pillars for reform, the first of which was ‘prevention.’

David Robinson, Chair the Early Action Task Force. David.Robinson@community-links.org.



DRAFT BUDGET 2014/15- WRITTEN EVIDENCE FOR FINANCE COMMITTEE, PREVENTION AND PUBLIC SERVICES

1. INTRODUCTION

- 1.1 This evidence from Care & Repair Cymru, in response to the Welsh Government's draft budget 2014/15, is provided from the specific perspective of the work of Care & Repair in Wales-services for older people to help keep them independent, safe and warm in their own homes, and consequently reduce demand in the NHS and for residential care.
- 1.2 Our evidence covers implications of demographic change, and how the preventative agenda can help deliver more cost effective public services. Our work includes falls prevention, adaptations, repair and tackling fuel poverty/making homes more energy efficient. The outcome is that we keep older people independent, safe, and warm in their own homes and communities (where the majority tell us they want to be); and out of less desirable settings such as residential care homes and hospital.
- 1.3 **Care & Repair in Wales- who we are and what we do:** Care & Repair Cymru (CRC) is the national body for Care & Repair in Wales, and the "Older People's Housing Champion". We are a third sector, charitable organisation and actively work to ensure that all older people have homes that are safe, warm and appropriate to their needs. There are 22 Care & Repair Agencies covering the whole of Wales. Each agency provides a wide range of services and support for older and vulnerable people, helping them to remain living independently in their own homes and communities. Care & Repair Cymru is committed to improving the health & wellbeing of older people by providing advice and assistance with home improvements, adaptations and general repairs. We work in partnership with a number of organisations including the Welsh Government, Local Government Housing and Social Care Teams, NHS, Occupational Therapists, other third sector organisations, the Older People's Commissioner, and Housing Associations to ensure that older people have access to a range of housing and social solutions that enable them to live in housing that meets their individual needs.
- 1.4 The 22 Care & Repair Agencies in Wales provide housing services to some 40,000 older people every year. Agencies are part funded by the Welsh Government and attract funding from local government, local health boards, housing associations and other sources. The types and scale of services provided annually are:

Core Care & Repair service:

- Approximately 30,000 older people helped with core casework service, and tailored solutions to their housing problems.
- Average client age 75 years of age
- 60% self referrals- not currently clients of any of the statutory services
- £2.5 million increased household income and benefits
- £500,000 raised on behalf of 475 clients from charitable funds to pay for repairs or adaptations
- £11million repairs and adaptations facilitated

- 2500 older people helped make their home more affordable to heat
- £1.8m privately funded work (counters fear of/ use of cowboy builders and substandard work)
- 1800 helped with improvements to home energy efficiency

Rapid Response Adaptations Programme

Care & Repair operates the Rapid Response Adaptations Programme (RRAP) on behalf of the Welsh Government. RRAP was introduced by the Welsh Government in 2002. The scheme, invented in Wales has since been replicated in England. The programme facilitates an immediate response to specific needs by providing minor adaptations such as ramps and handrails, to enable people to return safely from hospital to their own homes, or to prevent the need for admission to hospital or residential long term care. The programme is a fast response initiative and requires jobs to be completed within a maximum of 15 working days. It is widely regarded as best practice in delivering small adaptations, and provides direct benefits to Health in terms of prevention (reducing demand) and Delayed Transfer of Care (helping speed up safe discharges). Annually, the Rapid Response programme achieves:

- Average time enquiry to completion 8 days, average cost £118
- 13,000 older people helped....
- 4200 of whom helped return home from hospital
- 8800 of whom had works that helped prevent hospital admission

For every £1 spent on RRAP, we have estimated reduced demand and savings of £7.50 for Health and Social care.

2. STRATEGIC CONTEXT

- 2.1 Our core business is to provide housing services to older people, which are important in the context of many national policies and stated priorities, including the *Strategy for Older People in Wales*, *Fuel Poverty Strategy* and the *National Housing Strategy- Homes in Wales*. Our services also fit with direction of travel in the Social Services Bill (prevention, re-ablement and independent living), and the strategy for NHS Together for Health which emphasises providing services closer to homes and communities.
- 2.2 A fundamental strategic factor is that we are living in an ageing society, and demand for public services, in particular health and social care has increased and is set to increase further in the future. This is why what we do makes so much sense.

3. THE EVIDENCE- COSTLY TREATMENT COMPARED TO PREVENTION-SOME FACTS, AND FIGURES RELATING TO FALLS, ADAPTATIONS, REPAIRS AND COLD HOMES.

- 3.1 In the context of Care & Repair services, and generally services that help older people retain their independence at home, it is important to distinguish the 'type' of prevention we provide with prevention such as healthy eating campaigns. Our view is that making an older person's home accessible, safe, and warm produces an instant effect rather than cost saving years down the line. For example, a timely housing adaptation can have the immediate outcome of helping keep an older person out of a residential care home; a new fuel efficient boiler and loft insulation will prevent many incidences of respiratory and circulatory disease, reduce excess winter deaths, and make life comfortable and more affordable; a timely, well placed grab rail and repairs to broken steps will stop a fall and serious injury, followed by longer term residential care placement due to the negative cycle created by falls in older people.

3.2 Looking more closely at **falls prevention**, every year in Wales it is estimated by Age UK that around 30% of people over 65 and 50% of over 80's will have a fall in their home, many of which are preventable. The effect of falls to older people in Wales was estimated in Shelter Cymru's publication "The Real Cost of Poor Housing" to directly cost the NHS in Wales £56 million per year.

3.3 According to **Public Health Wales**, in 2009 there were 1102 deaths, 41,817 hospital admissions and at least 444,274 Emergency Department attendances due to injury, incurring direct costs of at least £25.9 million. The leading cause of death from injuries was falls (23%). Falls also account for 48% of injury inpatient admissions. Inpatient injury admissions led to 309,844 bed days, an average of 7.4 bed days per admission. The direct medical costs of these injuries in Wales were **£25,944,352** (related to inpatient admissions and emergency department visits.) The leading cause of death and in-patient admission in Wales, due to injury, is falls.

Fall death rates are low in all age groups until 70 years when they start to rise, from 9.7 per 100,000 (males) and 7.2 (females), to 138.7 (males) and 120.8 (females) by age 85+. Serious fall injuries mainly affect older people. ¹ Amongst older people falls are extremely common; 30 to 60% fall each year and 15 to 30% fall more than once. This high incidence means that fall injury incidence and serious fall injury incidence is high; 2-6% of falls lead to serious injury and 1% lead to hip fracture². The average cost of a fall at home which results in a hip fracture is nearly £29,000, over 100 times the cost of installing hand and grab rails in an average home. Hip fractures are also the trigger for entry into residential care in up to 10% of cases.

3.4 The majority of falls occur at home³. The cause of a fall at home is often multi-factorial, involving both environmental hazards and an underlying medical condition. Environmental hazards are largely preventable. Care & Repair agencies complete a home safety check with clients to assess their home for hazards and then help to make the necessary modifications, adaptations and repairs to improve safety in the home.

3.5 **The impact of Home improvements and Adaptations.** Home repairs and adaptations make performing tasks easier, reduce accidents, and support independent living. Adaptations and repairs range from low-cost to more expensive work. They include repairs such as improved wiring (to eliminate the need for dangerous extension cords), repairing broken and missing steps, repairing uneven paths, fixing loose stair treads and removing hazards (e.g. clutter, throw rugs). Adaptations include adding special features or assistive devices (e.g. grab rails, ramps), moving furnishings, adaptation to enable a change where activities occur (e.g. sleeping on the first instead of second floor) and conventional adaptations such as stair-lifts and walk-in showers.

3.6 Home modifications and adaptations can reduce the demands of the environment while making the home safer and more supportive. A review⁴ by the Office of

¹ Gibben, J. et al (2009). Incidence and mortality of falls amongst older people in primary care in the United Kingdom. *Quarterly Journal of Medicine* 102:pp.477-83.

² Rubenstein, L.Z. and Josephson, K.R. (2002). The epidemiology of falls and syncope. *Clinical geriatric medicine* 18:pp.141-58.

³ 2. DEPARTMENT OF TRADE AND INDUSTRY. Home accident surveillance system: 24th annual report. London: DTI, 2002

⁴ Heywood, F. and Turner, L. Better Outcomes, lower costs. Implications for health and social care budgets of investment in housing adaptations, improvements and equipment; a review of the evidence. Office for Disability Issues 2007

Disability Issues of the outcomes and costs of adaptations stated *“For older and disabled people, the choice between adaptations and other options is a choice between independence and dependence.”*

- 3.7 Prevention of falls and injuries has been a major focus of research, stimulated by ageing populations and by growing awareness of the mortality and morbidity resulting from falls. Reviews of falls prevention interventions have concluded that interventions are successful; including assessment of hazards at home and modifications of the environment, such as adaptations.⁵ Reviews have concluded that home improvement and adaptations reduced the risk of falls, particularly for those discharged from hospital and for those with a history of falling.
- 3.8 A recent trial of falls prevention of older people who were determined at high risk of falling found that those who received falls prevention, such as improving home safety, were significantly less likely to fall than a control group.⁶ Another trial specifically looking at environmental factors found that home safety assessments reduced the risk of falling by up to 39% in those who were at high risk.⁷
- 3.9 A report by the Wales Audit Office *Lean and systems thinking in the Public Sector in Wales, January 2010* considered NPT Council’s Lean review of Disabled Facilities Grants (DFG), and reported that postponing entry into residential care saves an average of £19,760 per year per person. It also concluded that a timely DFG can postpone entry into residential care by 4 years, giving a cost saving of £72,000 for each person, net of the average £7000 DFG cost. The report commented *“Clearly, by providing appropriate DFG at the appropriate time people can be sustained within their own accommodation, not only reducing residential care costs but arguably delivering considerable emotional and community benefits to service users. Nevertheless, the impact of timely DFG service could go beyond delaying admission into residential care, for example to alleviate costs in the home care service or to discharge existing clients from residential care”*
- 3.10 **Cost effectiveness.** The Office for Disability Issues⁸ found in a review of current evidence that provision of housing adaptations and equipment for disabled people increased people’s quality of life and independence. Such provision also produced savings to health and social care budgets in four major ways;
- Reducing or removing an existing outlay – residential care and home care
 - The prevention of an outlay that would have been incurred – prevention of hip-fractures and other care costs
 - The prevention of waste – delay in supply of adaptations
 - Achieving better outcomes for the same expenditure – improving quality of life.
- 3.11 All evidence indicates that adaptations and basic repairs/home improvements are cost effective methods in preventing falls for older and disabled people. The

⁵ Gillespie LD, Gillespie WJ, Robertson MC, Lamb SE, Cumming RG, Rowe BH. Interventions for preventing falls in elderly people. Cochrane Database Syst Rev 2003;(4):

⁶ Logan, PA., Coupland, CAC., Gladman, JRF., Sahota, O., Stoner-Hobbs, V., Robertson, K., Tomlinson, V., Ward, M., Sach, T., Avery, AJ. Community falls prevention for people who call an emergency ambulance after a fall: randomised controlled trial BMJ 2010;340:c2102

⁷ Clemson L., Mackenzie L., Ballinger C., Close JCT., Cumming RG. Environmental interventions to prevent falls in community-dwelling older people a meta-analysis of randomized trials. J Aging Health 2008;20:954-71.

⁸ Heywood, F. and Turner, L. Better Outcomes, lower costs. Implications for health and social care budgets of investment in housing adaptations, improvements and equipment; a review of the evidence. Office for Disability Issues 2007

review conducted by the Office of Disability Issues⁹ stated; ‘The evidence from the review is that, unless the cost of the adaptation is very high compared with the life expectancy of the person concerned, adaptation (and independence) will always be the better value option.’

- 3.12 **Cold Homes and fuel poverty.** According to Age Cymru in 2013, fuel poverty affects 30% of households in Wales – 386,00 households - with three main factors determining if a household is fuel poor; income, energy prices and energy efficiency. The last Living in Wales survey in 2008, estimated the total number of fuel poor households as 332,000 or 26% of all households. The figure for pensioners were that they represent 26% of all households in Wales, and of these 140,000 (42%) were in fuel poverty.
- 3.13 The Older People’s Wellbeing Monitor for Wales 2009 indicated 1 in 5 households containing someone aged 60 or over as fuel poor, twice the rate of all households.
- 3.14 BRE research for Shelter Cymru “The Real Cost of Poor Housing” 2011, reported the following from the Living in Wales Survey 2008:
- At least 29% of Wales homes had at least 1 category 1 hazard (under the Housing Health and Safety Rating System, HHSRS), failing the current minimum standard for housing in Wales and England.
 - The most common category 1 hazards are accidents/falls, excess cold and damp.
 - Older people are more likely to live in housing with category 1 hazards, and over 75’s are more likely to live in housing where there is excess cold.
 - 25% households over 80 live in damp homes
- 3.15 In 2010/11, there were 1960 excess winter deaths amongst older people in Wales. 79% of these were to people aged over 65, 68% were people aged 75 and over. These deaths are higher than the average for the UK and linked to respiratory disease, circulatory disease, and hypothermia, all exacerbated by cold, damp housing conditions. Winter illness figures, linked to cold, damp homes are difficult to find, but it is clear given the mortality rates that countless thousands more older people will present to local GP surgeries and A&E Departments with illness brought on or exacerbated by their poor living conditions and inability to keep warm at home.
- 3.16 Care & Repair’s overall proposition is that a greater focus on prevention within public services (including social care and health services) will reduce A&E admissions (unscheduled care), residential care places and speed up safe transfers of care. Targeted investment in preventative services that improve housing conditions would improve the wellbeing of the people of Wales, whilst saving public funds.

4. ANALYSIS OF THE DRAFT BUDGET

- 4.1 Looking purely at the perspective of housing preventative services for older people, the draft budget contains 3 main headlines.

⁹ Heywood, F. and Turner, L. Better Outcomes, lower costs. Implications for health and social care budgets of investment in housing adaptations, improvements and equipment; a review of the evidence. Office for Disability Issues 2007

4.2 Firstly, Care & Repair Cymru welcomes the standstill capital amount of £1.641m for Rapid Response Adaptations. This programme is widely acknowledged and accepted as being good practice, and successfully joins up housing, health and social care, and the statutory and third sectors. It delivers good preventative outcomes, and helps tackle winter pressures and delayed transfers of care. The CELG Inquiry into housing adaptations recommended that the programme be expanded so that actual demand and referrals from health/social care professionals can be met, and so that all housing tenures become eligible.

4.3 Secondly, we are disappointed with the 10% reduction in funding for our core Care & Repair services, particularly as the new Intermediate Care Fund proposes to do exactly what we have been successfully doing for the past 25 years with demonstrably robust outcomes. While we acknowledge and have already embarked on the important agenda of becoming more efficient and developing collaborative arrangements, mergers and trading arm social enterprise, the scale of the revenue cut next year will inevitably mean a cut in front line services and the number of people we help. In summary, a 10% cut means a cash reduction of £500,000. **This will have the following service impacts:**

- An additional loss of £500,000. This is the amount of support (an approximate ratio of 1:1 that Care & Repair Agencies secure from local government, Health, charitable funding and other funding. In other words, WG grant gives a foundation on which to build robust Care & Repair organisations supported by local statutory services **and**
- Bespoke, tailored solutions for 3000 fewer older people- the core care & repair service that helps people stay independent, safe and warm in their own homes by visiting, assessing and providing comprehensive, tailor made solutions to their problems (adaptations, repairs, safety, security, welfare benefit increases, home energy efficiency) either directly, or in partnership with others in the third sector or statutory services **and**
- £50,000 less in charitable donations for solving individuals' housing problems **and**
- £200,000 less for older people from DWP in unclaimed benefits, to spend on heating their homes, buying food, making them more mobile to visit friends or do the shopping **and**
- 240 fewer older people helped with getting work done, with their own money, helping to beat cowboy builders and scams

We are genuinely concerned about the human costs as well as the disproportionate increased demand and costs to the NHS and Social Care from this reduced level of funding.

4.4 Thirdly, we warmly welcome the new Intermediate Care Fund of £50m (£15m capital and £35m revenue), and it's clear intention to create a more joined up approach between Housing, Health and Social Care in tackling serious issues such as helping individuals live independently, and relieving pressures across public services, for example, preventing admissions to A&E and elsewhere in the NHS (unscheduled care), and helping speed up safe transfers of care. However, as mentioned above, we are surprised with the cut to Care & Repair support, given that we deliver precisely what the new fund is intended for.

4.5 At the time of writing, it is unclear which organisations or programmes this will support. We are optimistic and will make the case that it helps support and grow successful programmes such as RRAP and Independent Living Grants (also

recognised by the CELG Inquiry as a programme that reduces adaptation/DFG waiting times and should be expanded), and to increase Care & Repair's involvement in helping join services up with older people at the centre, and simplifying access to integrated repairs and adaptations services, with prioritisation around client outcomes.

5. SUMMARY

- 5.1 Care & Repair provides valuable services that helps thousands of older people live independent, safe and warm lives in their own homes and communities. This fits with the huge preventative agenda currently faced by public services, given the increased levels of demand already being seen and set to continue with our ageing demography.
- 5.2 Evidence and research including that highlighted above points clearly to better, more appropriate housing meaning reduced demand for increasingly stretched Health and Social Care services.
- 5.3 We welcome the standstill capital programme for RRAP, but are very concerned at the impact to older people and disproportionate increased demand in statutory public services which will arise from the 10% reduction in revenue funding to Care & Repair's preventative services.
- 5.4 We welcome the new Intermediate Care Fund of £50m and believe that our ethos, our client centred service, and our unique partnership approach (ie an approach which joins up Housing, Health and Social Care professionals) all place us in a good position to extend the outcomes for older people we already provide. We believe that we can help fulfill the objectives of the new Fund, and are hopeful that the programme will be used to increase the RRAP programme, reduce adaptation waiting times through funding for Independent Living Grants, and to further support the core Care & Repair approach and our existing successful partnerships with Health, Housing and Social Care professionals.

[National Assembly for Wales](#)
[Finance Committee](#)
FIN(4)-WG15-12
[Inquiry into Welsh Government Draft](#)
[Budget Proposals 2014-2015](#)
Evidence from the Welsh Local
Government Association

Welsh Government draft budget proposals for 2014-15

13 September 2013



WLGA • CLILC

Overview

1. This paper answers the four questions posed by the Finance Committee on the current and future budget proposals and draws on the approach the WLGA took in presenting the future challenges to the Finance Sub Group¹ on 8 July. The outlook now facing local authorities is very much different from those set out in the indicative allocations for 2014-15 that were published alongside the 2013-14 settlement. Local authorities have been aware of the worsening impact on the Welsh Government Budget consequent on the Chancellor's 2012 Autumn Statement and subsequent Budget in 2013. However the warning to councils to expect reductions on the scale experienced in England is not wholly attributable to these changes.
2. The challenges facing an average council in Wales with a potential revenue settlement scenario similar to that experienced in England are hugely significant. Any cash cut to councils' budgets will impact on job numbers and service levels, with the severity of the consequences increasing dramatically once the effects of inflation, pay awards and demographic growth are factored in. The Minister for Local Government and Government Business wrote to Leaders on 23 May to signal English-style reductions. Taking figures from the LGA and a number of other sources, this submission therefore considers the likely impact of a range of cash reductions to Aggregate External Finance in 2014-15 and 2015-16.

What, in your opinion, has been the impact of the Welsh Government's 2013-14 budget?

3. The UK Government is part-way through significant reductions to public expenditure as it tries to fill a hole in its finances. Councils in Wales have not been immune from such reductions. A recent report by Institute of Fiscal Studies² (IFS) commissioned by the WLGA showed that local budgets have experienced real terms reductions in spending power of 8.4% during the first half of the 2010 Spending Review. At the same time they have seen increased pressure on budgets, particularly social care.
4. The IFS identified that there have been real terms reductions in Education and Social Services despite being relatively protected but large real terms reductions of over 20% in areas such as regulation and safety, planning and development (including economic development), and non-HRA housing. Spending on leisure has reduced by 18% in real terms.

¹ The Finance Sub Group is a sub group of the Partnership Council for Wales. It is chaired by the Minister for Local Government and Government Business and membership includes 6 Leaders from the regional collaborative areas and Police and Crime Commissioners.

² <http://www.wlga.gov.uk/123/ifs-briefing-note-bn131-local-government-expenditure-in-wales-recent-trends-and-future-pressures>

5. Over the course of the 2010 Spending Review period, councils have received relatively stable settlements. As the submission of the Society of Welsh Treasurers (SWT) to the Committee notes, councils have managed to absorb the pressures of rising demand and inflation in a number of ways including efficiency savings and the public sector pay freeze. The settlement increase of 1.1% has helped maintain investment in frontline services.

Looking at the indicative budget allocations for 2014-15, do you have any concerns from a strategic, overarching perspective, or about any specific areas?

6. Over the 2010 Spending Review period, local authorities in Wales have undoubtedly fared better than those in England. In Scotland the approach has been somewhat similar to Wales with authorities receiving 'cash-flat' funding settlements over that same period. In England no authority has been immune from service cuts and job losses no matter how innovative it has been in transforming services and driving transactional efficiency programmes.
7. It is fair to say that local authorities in Wales were expecting to reach the end of the 2014-15 budget planning horizon with a similar level of funding. At the time of the publication of the 2013-14 settlement, the Welsh Government published the indicative figures for 2014-15 which would have seen the settlement increase by around 0.5%.
8. Indeed one of the great advantages of the funding framework throughout the period stretching back to the early 2000s was a gradual improvement in medium term financial planning made possible by the publication of multiyear allocations. Under that regime local authorities go beyond the annual budget planning horizon and look 3 years ahead, closely linking these with plans for workforce, assets and corporate and service change programmes. Some authorities look further ahead.
9. As outside observers to the Welsh Government Budget setting process there are a number of overarching areas where we have concerns about the budget. Firstly there are a number of areas where we have traditionally argued for a less centralised approach to funding. Typically this has been around specific grants, an area upon which the Public Accounts Committee (PAC) touched upon in its Grants Management Report³. Specific grants have become such an anachronistic feature of local government finance in England and Scotland that they are all but abolished. Although the level of pure waste is difficult to quantify, the PAC estimated that it is between 5% and 10% of the overall quantum. In times of plenty this is questionable stewardship of public finances, but as we slip into prolonged austerity we have to seriously question whether this degree of

³ National Assembly for Wales 2013, *Grants Management in Wales*
<http://www.senedd.assemblywales.org/mglIssueHistoryHome.aspx?lId=2455>

centralised control is necessary. All that needs to be done is to manage the outcomes.

10. A further area of constraint is around the protection of certain services, notably education and social services. While this has come with additional resource it has not been without its downsides - it has made it difficult to drive efficiency in the service areas that have been protected. Providing local flexibility around protections (or if this cannot be done, incentivising efficiency measures, particularly in respect of school budgets) will assist in this greatly.

What expectations do you have of the 2014-15 draft budget proposals? How financially prepared is your organisation for the 2014-15 financial year, and how robust is your ability to plan for future years?

11. While local government is aware of the deteriorating situation regarding the Welsh Government Budget, it is probably unprepared for the scale of reductions that is likely to be visited on local finances for 2014-15. The clearest indication of Welsh Government intentions so far was given in a letter to the WLGA leadership in May. This pulls no punches. Local Government in Wales should expect to see reductions of the order of those experienced in England and goes on to state that councils should be making radical short-term decisions. The WLGA estimates that the settlement will have reduced by 8% by 2015-16 based in comparable information from England. In June, the WLGA called in all medium-term financial plans. From those returned to us it was quite clear that most published plans were based on the optimistic indications published with the 2013-14 settlement.
12. To be clear, the exact numbers will not be known until sometime around mid-October, less than six months before the start of the financial year. The extent to which sensible service and workforce planning can be achieved in such a short period has to be questioned. Indeed the submission to the Committee by SWT demonstrates that seasoned finance practitioners are worried about the timeline for planning for such reductions.
13. By contrast English local authorities were given a clear indication of the global settlement figures in a consultation announced on the 25 July⁴, giving English councils good early warning. The Scottish Government are sticking with their plans for the last year of the Spending Review and have published plans for local government in 2015-16⁵ with the publication of their draft budget on 11 September.

⁴ Department for Local Government and Communities, *Local Government Finance Settlement 2014-15 and 2015-16*
http://www.local.communities.gov.uk/finance/1415/sumcon/technical_consultation_paper.pdf

⁵ Scottish Government 2013, *Scottish Budget Draft Budget 2014-15*
<http://www.scotland.gov.uk/Publications/2013/09/9971/13>

14. The question the Finance Committee poses itself exposes a weakness in the approach to public sector financial planning. Annual budgeting is not very strategic. The approach the WLGA has taken to outlining the scale of the funding problem facing councils is to focus on the medium-term. The example of Council Cymru, an “average” Welsh council, set out in the Annex I to this paper was presented to the Finance Sub Group. It demonstrates that with current constraints in place along with elements of council expenditure that are fixed (payments on interest and contributions to other organisations such as Fire authorities), budget reductions can only be found from £57.5 million of the overall budget of £260 million (just 22% of the overall budget).

 15. However councils are legally required to set a balanced budget. Returning to our Council Cymru example, it may have to find recurrent savings of at least £12.8 million over the next two years, all from the £57.5 million controllable expenditure that is not subject to protection. The worst case funding scenario would result in that expenditure is cut by £25.0 million by 2015-16.

 16. Against that background, there are a number of short term options that Council Cymru may have open it:
 - Cut expenditure on cultural services by 75% over the two year period potentially closing art galleries and museums.
 - A 25% reduction in spend on planning in 2014-15.
 - Close down all sports and leisure facilities if they cannot be transferred to third sector or operated commercially (without subsidy) by mutual or arms-length organisations.
 - Reduce libraries expenditure by 50% over a two year period, keeping open half of those facilities that will act as hubs for welfare reform changes.
 - Reduce highways spend by a quarter in 2015-16.
 - Switch off up to 50% of street lights from midnight to 5am in 2014-15 and all from 2015-16.
 - Cut spend on economic development by a half in 2015-16.
 - Cutting general administration and back office budgets by a quarter in 2015-16.
-

17. After taking account of cashable efficiency savings that can be identified from the Measurement Framework adopted by the Public Service Leadership Group, Council Cymru's savings proposals will inevitably have a significant impact on Council jobs given that nearly 70% of its net budget is allocated to staff costs. Even if Council Cymru implements all the proposals above it would still be facing a budget shortfall up to £6.6 million over the next two financial years.
18. Many of these funding reductions will be visited on areas of preventative spend. The weaknesses of the approach taken in England have been highlighted in a recent report of the House of Commons Public Accounts Committee⁶ which sets out concerns about the financial viability of local authorities in England and highlights significant weaknesses in the approach taken in England.
19. The Committee found that the UK government has failed to model the longer impact of cuts to local government budgets on other public service budgets such as NHS where bed-blocking is mentioned. It questions whether in the future local authorities can deliver their statutory obligations and quotes the Audit Commission which has identified 9% of local authorities as having been in "high financial stress" in 2011-12, with 12% being at risk of not balancing their budgets in future years.
20. Evidently 'English-style' cuts lead to 'English-style' consequences as set out in Annex II. In an attempt to avoid these, the WLGA has asked the Ministers to work in partnership with local government and the WLGA in a number of areas:
 - a. Ensure a fair settlement for local government in Wales which protects core services.
 - b. Ensure stability through freezing the RSG funding formula and other streams such as the Post-16 funding and Supporting People.
 - c. Have a shared early understanding of the settlement or planning assumptions for both 2014-15 and 2015-16 so that councils can commence the kind of radical short term planning that is required.
 - d. Ensure that all fees and charges are determined locally to be responsive to local needs including an urgent assessment of the sustainability of the cap on non-residential social services charges introduced as part of the First Steps initiative
21. Councils in Wales are beginning to investigate alternative models of service delivery, especially for services like leisure, and a couple of examples are set out in Annex III. These are important services especially in terms of the preventative agenda and the impact on long-term health.

⁶ House of Commons Public Accounts Committee, *Financial sustainability of local authorities* <http://www.publications.parliament.uk/pa/cm201314/cmselect/cmpublicacc/134/13402.htm>

What are your views on the Welsh Government's approach to preventative spending and how is this represented in your resource allocation (if appropriate)?

22. There is now a considerable body of work around preventative spend that focuses on early years, health and social care and the criminal justice system which demonstrates that the right intervention at an early enough stage in life can significantly diminish the need for more costly interventions from across the public sector in later life. Much of this research has been undertaken in Scotland both by the Scottish Government and the Scottish Finance Committee⁷. Preventative spend is clearly defined as spend that prevents negative social outcomes and the consequential need for remedial public expenditure over the long-term.
23. The Scottish Finance Committee found that that the focus of services must be changed from responding to social problems to preventing them and that organisations must work more closely together to tackle the root causes of demand for services. Furthermore the Committee found that while preventative spend can deliver savings, it should not be seen as a way to save money but as an approach that will deliver wider benefits as a whole and can deliver both short and long term results.
24. Much of the preventative agenda questions the current model of public sector delivery and requires a significant shift in thinking and approach from all involved in the public sector from policy makers to those delivering front-line services. The approach also requires "up-front" investment so that current remedial services can continue to serve those that have not benefitted from preventative services and therefore are still in need of additional support. Although, there are some that argue that in a zero-sum decision, money would be better spent if shifted to preventative areas, for example from tertiary education into early years and primary education⁸.
25. There are however a number of barriers to overcome, including:

Funding:

- There is too much pressure on budget holders to tackle negative social outcomes here and now, despite recognition this will have limited success in the longer term. This results in difficulty in freeing up money to finance

⁷ Scottish Parliament 2011, *Report on Preventative Spending*
<http://www.scottish.parliament.uk/parliamentarybusiness/PreviousCommittees/26213.aspx>

⁸ Northern Irish Assembly 2011, *Preventative Spending*
<http://www.niassembly.gov.uk/researchandlibrary/2011/1011.pdf>

preventative spend that is currently tied up in acute care and hospital provision.

- An increase in investment of preventative spend programmes is not cost-neutral and does not mean that existing “reactive budgets” can be immediately cut;
- The public service body or sector that invests in the preventative spend may not be the same body that derives the benefits;
- Budget restraints may make a concerted focus on preventative spend less likely.

Impact and Evaluation

- Given the nature of preventative policies, there is a significant time-lag between their implementation and the ability to provide clear evidence of their impact. It may be difficult to prove that a specific intervention was responsible for an outcome;
- The longer-term outcomes delivered by preventative spending measures may be difficult to evaluate.

Political and Financial Cycles

- The political cycle every four years means that some preventative spend projects may come to a premature end as they need to run for longer time periods in order to deliver results;
- The annual budget and funding cycles, sometimes with 2-3 year forward indications, do not provide enough certainty of investment for projects that need to be implemented consistently over a long time-frame

26. It is possible to identify a number of Welsh Government policies that have a common preventative theme (although many sit under a range of portfolios) such as:

- Team Around the Family
- Families First – Action Plans in place in all local authorities
- Integrated Family Support Services – Due to be rolled out on a regional basis in 14-15 with encouraging evaluation from the pilot area
- Independent Living Grant - works alongside the local authority-administered Disabled Facilities Grant

- Tackling Poverty Action Plan – local authorities are key to delivering a number of significant elements in the plan.
 - Future Generations Bill
 - Social Services and Well-being Bill
 - Funding – Invest to Save and the Regional Collaboration Fund
27. It is also clear that some Welsh councils, working with other public sector bodies, are in the early phases of developing their own approaches to preventative spend or demand management. For example Bridgend are developing a number of initiatives intended to bring longer term benefits around: advice and support for those with learning disabilities; family support services; and, whole system change for community health and social care. These are set out at Annex IV.
28. Often, such initiatives are initially funded through specific grant providing funding for relatively small pilot projects before being rolled out across the wider local government family. However, there are several examples where the level of investment seen in the pilot projects is not replicated in the wider roll out.
29. Another issue that has arisen more recently, as public finance constraints mean that additional funding is more difficult to identify, is that preventative centred policies are identified as being cost-neutral. While this may be true in the longer term, there is an initial period where new services will need to be developed alongside those providing for existing need.
30. However, there is no strategic approach across Wales. Currently approaches to the preventative agenda are fragmented and exist in silos within services or sectors. For the prevention strategy to work it must be underpinned by the whole public sector approach to reform which the Christie Commission⁹ addressed in Scotland and which was backed by the Scottish Finance Committee.
31. The evidence from Wales is that where good policies have been implemented by Welsh Government, they have required significant investment. This is not cost neutral in the short term. It is clear that where the idea of preventative spend has developed beyond a collection of individual policies into a more strategic approach by government, that this should be accompanied by a reallocation of resources to those areas.
32. Evidence points to early and preventative intervention not only being better for citizens but it also reduces the cost burden on the NHS. For this to be effective the WLGA has pressed Welsh Government to ensure any NHS protection guarantees or increases expenditure on Social Services, as has been done in England.

⁹ Commission on the Delivery of Public Services <http://scotland.gov.uk/Resource/Doc/352649/0118638.pdf>

For further information please contact:

Jon Rae/Mari Thomas

Welsh Local Government Association
Local Government House
Drake walk
Cardiff
CF10 4LG

Tel: 029 2046 8600

ANNEX I

The Impact of further funding reductions on Council Cymru

- A1. Council Cymru is an average sized Welsh Council and its Medium Term Financial Plan is set out in Table 1 overleaf highlighting key income and expenditure assumptions. The structure of the Council's budget is the same as an aggregate analysis of net revenue expenditure, so around 40% of the budget is spent on education services.
- A2. Social services accounts for around 25% of net revenue spend and it is assumed that it is protected at the same rate as education. Around 12% of a Council's budget cannot be controlled. This includes capital charges (payments on interest and debt repayment) and contributions to other organisations such as Fire Authorities. It also includes areas of the budget that are demand-led such as concessionary fares and the Council Tax Reduction (CTR) Scheme. These are all assumed to be flat in cash terms over the next two financial years but have the potential to increase. The cost of the CTR Scheme is highly sensitive to the level of the Council's own council tax levels and caseload. As the IFS have pointed out, take-up is around two thirds of eligibility.
- A3. In addition councils have to plan for pay and price inflation (including residential care fees), increases in superannuation costs and auto-enrolment. There are also demographic pressures relating to Older People and Looked After Children which cannot be met from within the protection assumed for Social Services.
- A4. On the funding side, net revenue expenditure is financed from two sources: the main block grant and council tax. Council tax is assumed to grow at 3.5%, close to the average in recent years, but under the new CTRS scheme a rise equivalent to this produces an immediate pressure of £0.4m as the Council has to fund the reduction scheme for increases. The Welsh Government's offer for Councils to fund half of the shortfall potentially produces a further recurrent pressure of £0.6 million.
- A5. The table shows that if education and social care protections continue and Council Cymru's revenue settlement is cut it will be facing a budget shortfall of £6.8 - £13.1 million in 2014-15 and a further £12.8-£25.0 million in 2015-16.

Table 1: Council Cymru's Medium Term Financial Plan

	2013-14	2014-15	2015-16
Net Revenue Expenditure(£m)			
Education	106.4	107.4	108.0
Social Services	66.0	66.6	67.0
Fixed Budgets	30.1	30.1	30.1
Other	57.5	57.5	57.5
Pay Award 1% (excludes schools)		1.1	2.2
Price Inflation (Specific Contracts, fuel, utilities, business rate)		1.5	3.0
Demographic Pressures (Older People & Children in Care)		1.3	2.6
Employer Pensions Costs (Triennial Valuation and Auto Enrolment - phased)		1.1	2.0
Total Expenditure	260.0	266.6	272.4
Funding (£m)			
Council Tax @ 3.5%	52.0	53.8	55.7
AEF@ -1%	208.0	205.9	203.9
Total funding AEF @ -1%	260.0	259.7	259.6
AEF@ -2%	208.0	203.8	199.8
Total funding AEF @ -2%	260.0	257.6	255.5
AEF@ -3%	208.0	201.8	195.7
Total funding AEF @ -3%	260.0	255.6	251.4
AEF@ -4%	208.0	199.7	191.7
Total funding AEF @ -4%	260.0	253.5	247.4
Budget shortfall with AEF @- 1%		6.8	12.8
Budget shortfall with AEF @- 2%		8.9	16.9
Budget shortfall with AEF @- 3%		11.0	21.0
Budget shortfall with AEF @ -4%		13.1	25.0

A6. Council Cymru hopes to realise some savings from the offers coming from Public Services Leadership Group. Cashable efficiency savings may come from the National Procurement Service. Assuming that the business case stacks up, the maximum the Council potentially could save is £300,000 in each year, although previous experience would suggest £150,000 would be more realistic. Savings are also expected from better asset management, although Council Cymru has already rationalised its administrative estate so there may be limited further opportunities. Property-related savings are assumed at 10%.

Table 2: Cymru Council Medium Term Savings Plan

	2014-15	2015-16
Budget Shortfall (AEF @ -4%), £m	13.1	25.0
Recurrent savings in 14-15		7.7
Revised Shortfall		17.3
From PSLG offers:		
Procurement	0.3	0.3
Assets	0.6	0.6
Service transformation and withdrawal:		
Culture	1.0	0.5
Planning	0.5	
Recreation	4.1	4.1
Libraries	0.8	0.8
Highways		1.8
Street lighting	0.4	0.4
Econ Development		1.1
Back office		1.1
Total Savings	7.7	10.7

ANNEX II

English Style funding reductions = English Style Services?

Newcastle City Council passed a budget in March this year that identified £100 million cuts in expenditure to 2016. The lack of flexibility around the major services, particularly Social Services, capital financing and waste management sees the vast majority of the cuts being visited upon staff numbers – 1,300 jobs are due to be lost. The worst hit service areas are the Arts – where budgets are cut by 50% and Libraries – 10 libraries have been ear-marked for closure by 2016, the first already having closed on Saturday 29 June 2013, although five could be saved if community groups step forward to take them over. Bin collections are also to be reduced.

Sunderland City Council are also looking to find £100 million in savings by 2016, £37 million to be made during 2013, having already found £100 million made over the previous three years. It is likely that there will be further job losses over and above the 1,500 staff reductions implemented since December 2009. Again Library services are to be reviewed, three school bus services are to be cancelled and the council is planning to increase its income from fees and charges, particularly in parking and leisure facilities, which will be run on a greater commercial basis.

Oldham Council is labelling itself the “Co-operative Council”, but rather than outsource or transfer services to co-operatives or social enterprises, their aim is to devolve budgets and some staff to six defined districts that make up the borough. This approach does not however negate the need to find substantial savings over and above the £100 million they have already found over the last four years. New savings include introducing a new charging policy for social care customers, redesigning care management (including mental health), reducing the number of parks the council funds – including handing over land to local community groups on a long term lease, reducing the number of residential and nursing admissions and reducing the reliance on long term care and charging for bulky waste collections. 400 posts have already been lost with a further 300 posts threatened.

ANNEX III

Alternative models for delivering leisure services

In 2012 a number of councils decided to deliver their leisure services through a new delivery model after undertaking rigorous options appraisal. Set up costs can range from £100k to £250k when authorities look to move down any new commissioning route, which varies dependant upon how much external support is required and the size of the authority.

The following key drivers underpinned each local authority's decision making to a greater and lesser extent.

- Secure capital investment
- Sustain facilities and services in the long term
- Realise efficiency savings
- No detriment to a service generally
- Ensure social outcomes protected and enhanced
- Operational improvements

The final delivery vehicle for each authority was different. Key aspects of the Torfaen and Vale of Glamorgan experience are set out below.

Torfaen County Borough Council

- Developed their own bespoke in-house Trust
 - Significant revenue savings
 - Model that allows the Trust and Council to develop and adapt
 - Can access prudential borrowing to improve facilities
 - Local Trust Board to drive improvement and innovation
- Early success
- Up to £1.6m (projected) revenue savings from 2013 -2018
 - Broad cross party and public support
 - Staff and unions kept on board
 - Public have seen no reduction in service
 - Council role repositioned as an intelligent commissioning agent

Vale of Glamorgan Council

- Partnership delivery with a private contractor
 - Significant revenue savings, original savings target exceeded by 50%
 - Substantial Capital investment
 - Potential to be the first L.A Leisure service to operate without a revenue subsidy
- Early success
- 3m Capital investment
 - £1m revenue saving annually
 - No closures
 - Public have seen no reduction in service
 - Council role repositioned as an intelligent commissioning agent
 - Staff and unions kept on board

ANNEX IV

Bridgend County Borough Council Preventative Initiatives

Learning Disability Team Advice and Support Service provides individuals with a mild / borderline learning disability with relatively low level support at regular intervals to ensure that their needs are met without “over-supporting” them. The individuals are generally quite independent but may have had little experience of being in control of their own lives and may have poor problem solving skills. A mutually agreed schedule of regular appointments with a social worker keeps the service user in control of the support that they receive and allows the social worker to liaise with other agencies as appropriate. These individuals are vulnerable but would not meet the higher level criteria for more intensive support. Simply restricting access to services and support for such individuals inevitably means that they would be re-referred at a later date, often with higher-level support needs. These re-referrals often come from other agencies such as Housing, Police, CAB or other voluntary agencies, when the individual has incurred serious debt, is under threat of eviction or has been identified by Police as being at risk in some way. The aim is that this support will in time be provided by the independent / voluntary sector through a Community Hub model which would also help the individual develop stronger social networks.

Intensive Family Support Service provides intensive, holistic support services to the whole family where there is substance misuse involved. Referrals to the service must come via Children’s Social Services and the service is provided by a highly skilled staff cohort who are all either qualified social workers or nurses. Interventions can include an Intensive Outreach Worker provided 16 weeks of intensive support with a family, visiting at least 3 times a week. Often the majority of the work is completed with the parents, around substance misuse, reducing alcohol consumption, domestic abuse, healthy eating, managing on a budget, the importance of de-cluttering a home, unaddressed mental health issues, instilling rules and boundaries, and managing difficult relationships for instance counselling to improve self-esteem, anger management, bereavement and assertiveness. Support is also given to improve employment opportunities and to improve their parenting skills. As well as resulting a huge improvement in a family’s wellbeing, outcomes also include fewer Police callouts for domestic abuse, reduced neighbourhood nuisance due to improved behaviour from children and a reduction in truancy.

Integrated Community health and Social Care Services provides an integrated approach to the delivery of services for frail people and people with complex conditions, in order to enable them to live as independently as possible at home, preventing unnecessary placement in long-term care or inappropriate hospital admissions. The service is provided through three main areas of integration:

Community Resource Team Services – these involve multi-professional responses comprising nurse led clinical early response services, therapy led enabling and rehabilitation services; and social work led complex long-term conditions and disabilities. There are not enough resources to provide these specialist services in each locality network but these teams can be mobilised to respond cross the three networks as required. Their aim is to intervene early, closer to home and ensure that people are supported to maximise their potential.

Integrated Referral Management Centre (IMRC) – a multi professional specialist duty system to ensure that people are routed into the appropriate response from health and social care services and includes collaboration with the voluntary sector. The Integrated Referral Management Centre is the single point of contact for community health and social care services within the Locality. The Centre is based within the Community Resource Team (CRT) and working collaboratively with the professional staff based in the CRT to deliver a duty professional system to referral management.

Three **Integrated Community Network Teams** in the North, East and West of the County Borough comprising District Nurses, Social Workers and Occupational Therapists, co-located and working collaboratively with people in each Locality Network area of the County Borough. Bridgend has taken a further step than many authorities in Wales by integrating its community network services as well as establishing a community resource team. Through this action we hope to ensure that duplication is eradicated from the system and that services are wrapped around people rather than separate responses for the same people from each provider. This will enable staff to get to people earlier and intervene before they become in need of secondary care services, by establishing closer contact with primary care services and other community based network services.

Agenda Item 6



GIG
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NHS
WALES

Bwrdd Iechyd Prifysgol
Betsi Cadwaladr
University Health Board

Ms Claire Griffiths
Deputy Clerk
Chamber and Committee Service
National Assembly for Wales

claire.griffiths@wales.gov.uk

Ein cyf / Our ref: GL/HS/688

☎: 01248 384910

Gofynnwch am / Ask for: Geoff Lang

Ffacs / Fax: 01248 384937

E-bost / Email: geoff.lang@wales.nhs.uk

Dyddiad / Date: 9 October 2013

Dear Claire

NATIONAL ASSEMBLY FOR WALES FINANCE COMMITTEE – 15 OCTOBER 2013

1. PURPOSE OF THIS SUBMISSION

This written submission has been prepared to inform the Committee of the financial challenges which face the Health Board during the current financial year, and the outlook for the budget year 2014/15 and beyond. The briefing will cover the following headings:

- Inflation pressures and challenges for 2013/14;
- Assumptions for 2014/15 and beyond and the financial challenges for the Health Board.

2. INFLATION PRESSURES AND CHALLENGES FOR 2013/14

Table 1, below, summarises the impact of inflation assessed for this Health Board based on an assessment across NHS Wales. These amount to £31.8m and do not take account of demographic changes for our population.

Table 1 - Inflation and Cost Pressures for 2013/14

National Inflation Assessment	£000s
Pay Award 1%	5,057
Pay Increments	5,015
Non Pay and Travel	4,436
Continuing Healthcare/Funded Nursing Care	4,880
NICE Appraisals	3,136
Prescribing Growth	4,933
External Commissioning costs	4,365
Total Inflation	31,822

Table 2, below, summaries the opening financial challenge for this financial year, inclusive of inflationary pressures.

Table 2 - Showing the Original Financial Challenge as shown in the Budget Plan

Plan Headings	Original Financial Gap £000s
Underlying Deficit Carried Forward 2013/14	32,095
New Cost Pressures:	
CPG/Departmental unavoidable cost pressures	4,552
National Inflation Assessments:	
Pay Award 1%	5,057
Increments	5,015
Non Pay & Travel	4,436
CHC/FNC	4,880
NICE	3,136
Prescribing	4,933
Commissioning (external)	4,365
Sub total	31,822
Other Costs:	
Service Reviews	5,679
Financial Challenge (gap) 2013/14	74,148

The opening gap of £74 million equates to a savings target of 5.9% for 2013/14.

Addressing a gap of 5.9% in addition to the savings achieved in the past 3 years presents an increasing challenge to the Health Board. Some of this can be achieved through cost efficiencies and traditional savings approaches, however the gross financial challenge is such that broader more structural changes to service delivery will be required if financial balance is to be achieved. These changes will also necessitate a more critical appraisal of the way in which our workforce is deployed and remunerated.

This points to the need for more fundamental changes to the way in which services are delivered both within the NHS, and increasingly in partnership with Local Authorities and other partners.

3. ASSUMPTIONS FOR 2014/15 AND BEYOND AND THE FINANCIAL CHALLENGES FOR THE HEALTH BOARD

The Health Board has undertaken an initial assessment of the future financial outlook, on the assumption of 'flat cash' Welsh Government Allocations with the requirement to meet national inflation, financial and service pressures through equivalent savings.

Early indications and calculations of the new inflationary and Service pressures (including pay awards, incremental drift, CHC, NICE, demographics) suggest total new cost pressures of £45 million in 2014/15.

This figure will also be affected by the financial outturn of the Health Board in 2013/14. If the current forecast deficit of £29m remains then it is possible that a further £29 million savings target will be required taking the total financial challenge to £74 million. Should the Health Board require brokerage borrowing, then the repayment of this would also add further to the financial challenge to be addressed.

The Health Board will reassess this financial challenge as the year progresses through a detailed budget setting process which will align the service priorities for the year ahead with the financial resources available.

Table 3 - The Financial Challenge for 2014/15

	2014/15 £m
New Inflationary Pressures	17
Growth (CHC, NICE, Prescribing)	14
Access and demographic change	14
Sub-total of new pressures	45
Underlying Deficit Carried Forward	29
Total Management of the Financial Challenge	74

This assessment does not at this stage, reflect the potential increases in the Employers pension contributions from 14% to 18% taking effect in 2015/16, which if implemented without any supporting funding could add a cost pressure of £16 million per annum. In addition to this pension change, there is also the potential removal of the National Insurance rebate, which if implemented in 2016/17 with no additional funding could add a further cost pressure of similar magnitude.



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Betsi Cadwaladr
University Health Board

At this stage the Health Board is assuming a Financial Challenge of £74 million in 2014/15 as shown in the table above. Savings plans in years to date have predominantly focused on the current and forthcoming financial year, however it is clear that a longer term strategic service change approach must now be taken to ensure financial sustainability for the planning period and beyond. Pursuing cost efficiencies will allow the Board to bridge some of this gap, but this approach alone will not deliver sustainability.

Achieving financial sustainability will require significant service change. The current model and pattern of delivery of services will not be sustainable within an ongoing flat cash financial scenario. The Health Board will be required to re-consider the way in which services are delivered and bring about changes to local services in order to meet its financial duties.

To develop the detailed plans that will deliver safe, high quality services within the financial resources available the Board must engage with staff and stakeholders to create a common understanding of the challenge we face. Work on this has commenced and will continue through the autumn in readiness for the coming financial year. The Board has involved clinicians and other staff in considering how services may be re-designed to deliver within the resources available. Further work will be undertaken with Local Authorities and other stakeholders to consider the potential benefits of further integration in service delivery, particularly in our community based services which must offer the potential alternatives to hospital admission which are crucial to our sustainability. In taking this approach we are conscious of the financial pressures which exist in other sectors and are seeking to identify integrated responses which secure the maximum return from the public finances available to support the population of North Wales.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Geoff Lang', written over a light blue rectangular background.

GEOFF LANG
ACTING CHIEF EXECUTIVE

Cardiff & Vale University Health Board
Submission to Welsh Government Finance Committee - 9 October 2013

CARDIFF & VALE UHB CURRENT FINANCIAL POSITION

The UHB is on track to deliver the first year of the three year financial recovery plan which was agreed with Welsh Government in March 2013.

The UHB recognised in summer 2012 that it needed to take a radically different approach to recovering its underlying financial deficit. It therefore invested in Ernst & Young to support development of a turnaround programme in early 2013. This resulted in a report in January 2013 which set out clearly that the UHB had a large underlying financial deficit, but also identified a range of opportunities, based on benchmarking, which would move the UHB from deficit into recurring surplus.

As a result of this, by March 2013, the UHB had developed and agreed a three year financial recovery plan with the Welsh Government. This returns the UHB to recurring financial balance in 2014/15 and pays back the deficit from 2013/14 in 2015/16. The agreed profile is as follows:

	2013/14	2014/15	2015/16
	£m	£m	£m
Deficit / (Surplus)	32.5	(8.1)	(25.1)

The financial plan set out above anticipated a requirement to deliver savings each year significantly higher than those planned and delivered by Foundation Trusts in England of 4.3% in 2013/14 and 5% in 2014/15. This poses a significant challenge.

In 2013/14, in line with the above plan, the UHB is planning an agreed deficit of £32.5m. This will be achieved through delivering savings equating to £56.7m. In addition to this the UHB is covering the cost of incremental uplifts from national pay contracts of £4.7m ('Agenda for Change' and 'Consultant Contract'). In total therefore the UHB has an agreed plan which delivers savings in 2013/14 of £61.4m (5.3%).

The savings are being delivered through a combination of changes:

- Service change which improves patient care e.g. changes to mental health services which support policy implementation (care moving into community sectors from inpatient)
- Service related efficiency including reductions in length of stay through earlier discharge of patients, earlier rehabilitation of patients leading to lower likelihood of them requiring a continuing health care package, more effective prescribing
- Administrative efficiency e.g. savings on procurement, back office functions
- Workforce changes e.g. skill mix and reductions in variable and temporary pay

At M6, the UHB has a deficit of £7.1m worse than its planned deficit of £16.2m (1.3%). There is a significant risk to achieving the in year financial position of approximately £15m. The UHB believes that its plans are sound, but the UHB entered the year with no headroom

or contingency. Further cost pressures have arisen in year e.g. around medicines management and growth in continuing health care and there has in addition been slippage on change programmes. However the UHB continues to forecast that it will be close to delivering the planned and agreed forecast deficit at year end.

45% of the UHB costs relate to pay (61% of influenceable costs). This means that in order to manage in a flat cash environment, with a national pay increase, continuing requirement to fund incremental pay awards and no changes to terms and conditions, either workforce numbers need to reduce or average pay needs to reduce.

As at the end of September 2013, workforce numbers have reduced by 180 compared to the end of March 2013. A further reduction of 380 is expected by the end of March 2014. The UHB issued a section 188 giving notice that significant numbers of jobs would be put at risk in June 2013. The three month consultation period is now complete and workforce change schemes are now being individually delivered by UHB Clinical Boards.

CARDIFF & VALE UHB 2014/15 FINANCIAL PLAN

In 2014/15 the UHB will be in the second year of its financial recovery plan. The UHB has made assumptions about the Welsh Government budget as follows:

- Flat cash settlement
- Impact of changes to Research and Development and Service Increment for Teaching funding are neutral
- No changes to the funding formula or additional allocation for population growth

The UHB is also assuming the following:

- Funding for specialised services will also be at flat cash plus the marginal rate for any additional treatments provided above 2013/14 contract levels. It is essential that patient flows towards the tertiary centre are backed by the appropriate resource flows.
- The UHB is not planning for significant cost pressure from the introduction of new drugs or Welsh Government policies.
- No assumptions have been made around changes to national terms and conditions negotiated for 2014/15 which could impact favourably both on the financial position but also in terms of incentivising changed patterns of working to deliver better patient care (e.g. 7 day working). Terms and conditions, particularly around the consultant contract and GP contract, are significantly more expensive and less flexible than the English contract.
- A small amount of funding has been built in for costs of strategic service change e.g. workforce changes, investment in project managing and non recurring capacity to drive change programmes.
- Capital will be allocated on a similar basis to 2013/14, however any opportunity to increase this would enable faster implementation of new technology and upgrading or vacating poor quality estate. Both these would support financial savings and improvements in quality and safety.

The UHB in making the assumptions above is taking a cautious position and it is hoped that the 2014/15 budget settlement announced yesterday will improve the position as the headline is that there will be some growth rather than a flat cash settlement.

The UHB is then expecting cost pressures for 2014/15 as follows:

- Pay award of 1%
- Incremental drift in line with 'Agenda for Change' and 'Consultants Contract'
- Increased costs of PFI contracts for car parking, which cannot be passed on to the public
- Recovering the underlying deficit
- Non recurring costs of achieving Tier 1 targets, particularly Referral to Treatment times
- Demand growth in continuing health care
- Non pay inflation, with particular pressures on energy prices
- Primary and secondary care drugs growth

These assumptions mean that the UHB will need to deliver a savings target of 6.2% to achieve its planned financial surplus for 2014/15. The plan also assumes that the 2013/14 savings targets are achieved recurrently.

This equates to a real-terms reduction in expenditure of 6.2% and will again require workforce reductions to deliver. The UHB continues to use benchmarking of upper quartile performance against its UK peers to identify those areas through which savings schemes can be delivered.

In 2014/15 the UHB is also aiming to move some funding from acute into primary and community care, predominantly by requiring lower savings targets from primary and community care. This will enable the clinical and management teams in these areas to focus on managing demand, changing services and support preventative treatment, however it has the impact of requiring a higher savings target on hospital services which will be challenging to deliver.

At this stage, no change to the financial position has been planned as a result of the South Wales Programme. Modelling on the potential impact of this is being undertaken following the recent public consultation.

SUMMARY

In summary, Cardiff & Vale UHB has an agreed three year financial plan to move it from significant underlying deficit into recurring surplus. Despite challenging savings targets, which are slightly behind plan at M6, the UHB is on track to deliver year 1 of the plan. Plans are based on benchmarking and aim to drive improvements in patient care as well as financial savings. The three year plan is based on a flat cash settlement, the potential improvement in this announced yesterday will enable some headroom to manage in-year risks and pump priming of service change.

Adam Cairns, Chief Executive
9 October 2013